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STANDING COMMITTEE ON RESOURCES DEVELOPMENT

RESIDENTIAL RENT REGULATION ACT

TUESDAY, SEPTEMBER 2, 1986

Afternoon Sitting



CHAIRMAN: Laughren, F. (Nickel Belt NDP)
VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)
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Pierce, F. J. (Rainy River PC)
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Smith, E. J. (London South L)
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Taylor, J. A. (Prince Edward-Lennox PC)

Substitutions:

Davis, W. C. (Scarborough Centre PC) for Mr. Bernier
Hennessy, M. (Fort William PC) for Mr. Pierce
Jackson, C. (Burlington South PC) for Mr. Stevenson

Clerk: Decker, T.

Staff:

Richmond, J. M., Research Officer, Legislative Research Service

Witnesses:

Individual Presentations:

Potts, G. W.

Cormack, R.

From the Ministry of Housing:

Peters, F. H., Executive Director, Rent Review Division
Church, G., Assistant Deputy Minister, Corporate Resources and
Building Industry Development
Curling, Hon. A., Minister of Housing (Scarborough North L)

Individual Presentation:

Langman, J., Member, Fair Rental Policy Organization of Ontario

From McQuesten Legal and Community Services:

Cassidy, P. J., Staff Lawyer

From Scarborough Community Legal Services:

Agjee, A., Community Legal Worker
Hyndman, J., Lawyer

Individual Presentation:

Macri, G.

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Tuesday, September 2, 1986

The committee met at 1:10 p.m. in room 228.

RESIDENTIAL RENT REGULATION ACT
(continued)

Consideration of Bill 51, An Act to provide for the Regulation of Rents charged for Rental Units in Residential Complexes.

Mr. Chairman: The committee will come to order. We have representation from each of the caucuses here now. There are a couple of matters we must raise before we do anything else. Some questions have come up and I will tell you what we have decided, subject to the approval of the committee.

As most members know, Kay Gardiner, who is a councillor in Toronto, has arranged to have a substantial turnout of tenants for this Thursday afternoon. She has told us she thinks there will be about three busloads. We cannot get one busload in this room, so we are making arrangements for a room in another building. It will probably be in the Royal Ontario Museum since we cannot get the Macdonald Block. It is booked solid and apparently it is impossible to move people around. If we move there, that leads to another decision to be made on the question of the transcript.

My recommendation is that we do not have a transcript but we do have a sound system, because it is very unpredictable how many people will be there. Jerry Richmond, whom most members know, is going to be with us till the bitter end now, and he will keep track of presentations and the key points made if it is just an oral presentation. If that meets with the approval of the committee, we will have a sound system that day, but not a transcript. Does that pose any problems for members?

The second matter concerns out-of-town hearings and the broader question of the transcript. It is much simpler if we do not have one, and I think we can get by without it. Those of you who were on this committee when we did Bill 65, first-contract legislation, will recall we did not have a transcript for out-of-town hearings and we did not run into any problems, as I recall. We were able to keep track of the presentations and the key points made. As I said, Jerry is with us till the end, so we will not arrange for a transcript for out-of-town hearings.

We are not sure about the need for translation in Ottawa, so we will go ahead and arrange it. It would be inappropriate not to have that in Ottawa. It is expensive but it is one of those expenses we have to bear.

In regard to the out-of-town schedule, in order to accommodate the groups, we arranged 20-minute presentations for each group. I hope we can stick to that in Kingston, Windsor and London. We changed it to 30 minutes in Ottawa, because that is the number two hot spot in Ontario for tenant problems. We switched that to 30 minutes and will continue on to Friday morning and Friday afternoon. We hope to wind it all up by three o'clock on Friday afternoon. We will try to stick to that.

In order to keep it to one day in Kingston, Windsor and London, we have to stay with the 20-minute presentations. I know that is a bit awkward and we may end up running over somewhat, but it would be difficult to change it at this point; we are locked in. Unless there are any real problems among members, we will go ahead and do those kinds of things. Mr. Reville?

Mr. Reville: Just as an additional piece of information, I note that we are doing public hearings on Friday night this week.

Mr. Chairman: No.

Mr. Reville: It stops at 4:30?

Mr. Chairman: Yes.

Mr. Jackson: At least we will.

Mr. Reville: My schedule is different from yours.

Mr. Chairman: You raise a good point, though. There is a new schedule coming around.

There are still people phoning in from Metro to get on. Because the deadline was the end of July, we feel we should not extend it any more. We have already added a third week for public hearings in Toronto and we are trying to keep it to that. When an opening occurs and we have advance notification of it, people in the clerk's office are phoning and trying to slot in cancellations. People do not always want to do that, but that is what we are trying to do. Other than that, we are cutting it off and not scheduling more time.

Mr. Jackson: We are still accepting requests?

Mr. Chairman: To make written presentations.

Mr. Jackson: On that basis, fine.

Mr. Chairman: Yes, they are on a waiting list. It is not as though we are ignoring them. Written submissions to the committee are accepted right up to the red line. We will distribute them and so forth. We have two cancellations this afternoon, one at two and the other at four, but our experience is that the time gets eaten up anyway.

The first presentation is by Gordon Potts. Mr. Potts, if you will take a seat at the table, the committee will be happy to hear your presentation. Do you have a written presentation or are you going to do an oral one?

Mr. Potts: Just an oral.

Mr. Chairman: Proceed.

GORDON W. POTTS

Mr. Potts: Committee members, I would like to thank you for affording me this opportunity to present the opinion of home owners on this colossal mess of rent control.

First, I would like to remind you of the anguish, suffering and pain we

home owners suffered in 1981, 1982, 1983 and 1984 because of interest rates escalating to 22 per cent and the various governments' absolute refusal to come to our aid. Of course, the federal Liberal government is no longer with us and the Ontario Conservative government is no longer with us.

Interjection: Hear, hear.

Mr. Potts: I wonder why. In 1981, home owners were worried about renewing their mortgages at the high rates, whether we could afford to pay them and what we would have to do without to pay them. Then we were hit with the financial institutions exercising their God-given right to decide how we allocate our incomes and refusing to renegotiate thousands upon thousands of mortgages, thus forcing thousands upon thousands of people to lose their homes, their equity, their quality of life; in fact, everything they had dreamed of.

I say the God-given right of the financial institutions because I have yet to hear an elected official say a word against this practice. In fact, the then federal government and the then Ontario government came up with a series of grants and interest-free loans to bail out the precious financial institutions by allowing opportunist tenants to buy these abandoned homes. Home owners were disqualified from even applying for these handouts. Those of us who were fortunate enough to have private mortgages were allowed to scrimp and scrape our way through three, four or five years of high mortgages until we got relief by way of lower interest rates.

Having said this, I think you will understand our attitude of despair when we read stories of renters getting protection, from every level of government, from paying higher rents--in too many cases fair rents--from evictions, whether justified or not, and against landlords upgrading their properties to sell for a reasonable profit. These tenants do not have a cent invested in their accommodations. If they wish, they can pack up and move any time without risking any money at all.

Home owners, on the other hand, have a hefty down payment to consider, as well as any equity they may have built up in their homes. In other words, home owners have put their money where their mouths are and made a financial investment in Canada, set down firm roots and shown a desire to build communities. Tenants, on the other hand, have shown no stability, no interest in communities and certainly no desire to make any financial commitments. As a matter of fact, if you check the voting patterns in your own constituencies, I am sure you will see just how committed the average tenant is.

I ask you why are tenants getting all the protection when home owners are left out to dry? I guess it does not pay to be in the silent majority, but then it is not such a good idea for politicians to ignore that silence either. Remember, there are a lot more home owners than there are tenants.

What I have just said is in itself to make any home owner feel less than élite, as he should. Add to all that the fact that property taxes are escalating at alarming rates because of such things as welfare and shelter costs and it is enough to make one's blood boil. We home owners are not only getting shafted every which way we turn, we are also made to pay the bills for the very policies that are shafting us. I believe I heard it said somewhere that "You may fool all the people some of the time; you can even fool some of the people all the time; but you can't fool all of the people all the time."

I understand there are 10,000 to 12,000 people walking the streets of Toronto right now with nowhere to call home, not even a dingy room. Incidentally, those numbers may be low by now. If you ask people why these people have no homes, 99 out of 100 will tell you it is because of rent controls. The odd one will most likely be too busy trying to meet his mortgage payments to bother answering.

If rent controls are doing so much harm, even to the people they are designed to help, why do we still have them? Is it better for people to have no place to turn and nobody to help them, so that eventually they turn to crime, prostitution, begging or even drugs or cheap booze to try to forget their plight than for a few unscrupulous landlords to make a few extra dollars? Those unscrupulous landlords are still making those extra dollars by renting accommodation unfit for animals at ridiculously high rents to very desperate people.

What is to be done about this blight on our society that does not take billions of tax dollars, tax dollars that I, for one, cannot afford? The answer is so simple that, for the life of me, I cannot understand why you politicians are not shouting it on every street corner.

You can simply amend the tenancy occupation act or whatever act it is to exempt all buildings built henceforth from rent controls. As and when sufficient affordable apartments become available, rent controls can gradually be reduced until we see a three or five per cent vacancy rate in rental housing again. That is when rent controls will become a bad dream and the law of supply and demand will once more dictate rents and profits. Of course, municipalities will have to help too by reducing dramatically the time from a developer buying a piece of land to when he builds on it. I am sure the builders will once again help there, once they see who the obstructionists are on the various councils.

This program would help all residents of Ontario. I said all, and I mean all residents of Ontario, including those tenants who feel they must have protection to survive, because those very tenants are the ones being duped worst by this phoney issue of rent controls. Look at all the horror stories of broken homes, brutality in the homes, single parents and their children, juvenile crime, runaway children, mental breakdown and all the other degrading stories we see in the headlines of our newspapers every day. Affordable homes will not eliminate all our social problems, but I am sure they will help to reduce them.

Once under way, this program will allow tenants the opportunity to upgrade their accommodations all along the line, from the \$1,000 or more per month tenant right down to the lowest-rental tenant, thus making apartments available to the homeless and newlyweds. When we have this example of free trade working in our own backyard, maybe our property taxes can be reduced a little.

One other thing this present government must do is to regain the confidence of developers. Ever since the great apartment fiasco, developers have been reluctant to trust the government. Who can trust anybody who changes rules arbitrarily and retroactively, as was done in 1982? So far, the present government has done nothing to correct this situation.

Thank you very much.

Mr. Chairman: Thank you for your presentation, Mr. Potts. Are there any questions from members of the committee?

Mr. Jackson: Mr. Potts, are you a member of a recognized ratepayer group?

Mr. Potts: No, we went out of business. I was with the Canadian Association for Sensible Interest Rates.

Mr. Jackson: I meant more within your own residential area.

Mr. Potts: No.

Mr. Jackson: I assume then, for the record, you are indicating support for total removal or dismantling of rent review.

Mr. Potts: Absolutely. Rent controls, not rent review.

Mr. Jackson: I am going to avoid commenting on Mr. Potts' perception of the tenants' contributions in Ontario. I am sure others may rise to that bait. You are entitled to your opinion. Thank you for coming.

Mr. Chairman: The one thing I would say, Mr. Potts, is that when rent controls were first imposed, new buildings were exempt. You implied the solution now would lie in making new buildings continue to be exempt. Yet I think most members would argue--and if I am wrong, they will speak for themselves--that exempting new buildings did not help the supply crisis in rental accommodation, particularly in places such as Metro.

Mr. Potts: I know only what I read in the newspapers. I am not privy to any private information or anything such as that, but it seems to me the confidence of the builders was shattered. They did not know whether to build because they did not know what was going to happen. When the last budget was issued, it reduced rent controls from six per cent to four per cent and included buildings built since 1967 and every type of rental accommodation.

This is the sort of thing I mean by getting the confidence of the developers. The developers do not know where they stand. I am talking as a home owner, just an ordinary man on the street if you like, but how can you do something when you do not know what is going to happen? Nobody in the building industry seems to know what is going to happen to them.

Mr. Chairman: Thank you. Are there any other questions from members? Thank you for your presentation, Mr. Potts. We appreciate your taking the time to give it to us.

Mr. Potts: Thank you.

Mr. Chairman: The next presentation is by Robert Cormack. Is Mr. Cormack here? This is exhibit 4. Members should have a copy of that. It is one page long.

Mr. Cormack, will you proceed.

ROBERT CORMACK

Mr. Cormack: Mr. Chairman, ladies and gentlemen, you have my one-page letter in front of you. I am not a corporation or a numbered company. The only people I represent are my wife and myself. I will amplify the letter. I was a bit surprised when the time was extended from 15 minutes to half an hour because I hope I am not going to take more than 10 minutes.

The view I want to put forth is the following. We are a family. I am retired. My two children are in school. I am on a pension. We own my wife's family home in Swansea, which is 65 years old. We rent that building. I am not even sure whether I am supposed to be here, but I thought I should submit this just from an ordinary citizen. I do not represent anyone or any association, just the two of us. My wife was very reluctant to come, so I have come.

There are two or three points I would like to make. My children are now 15 and 19, and I am on a pension. We rely or will rely in the foreseeable future on the income we get from the family home for a source of income to project into our children's education. We have rented the home and we have been very happy in renting the home. We have rented it to people with children, people with animals and single parents; it did not matter. It is a home that we rent, and they treat it as their home when they receive it.

We asked our children two or three months before this came up, "How would you like to sell?" The tenants were moving out, and we were going to get new tenants. There was a point of decision: "How would you like to sell grandma's home?" The reason behind that was that if we did sell the family home in Swansea and gained interest on the money, our income would be much greater than in renting it out.

The children are not sophisticated enough to understand all the wheres and whys of this. We had been thinking of selling and the children said: "No. Do not sell grandma's home. We want to keep it as part of our heritage." They did not use that term, but they felt there was something that belonged to them, which they still see because we go there and do repairs and so forth.

13:30

I do not know what the implications of your deliberations will be as far as I am concerned. The only point I make is that you consider people like ourselves who own one piece of property, rely on it and all we ask is to be dealt with fairly. I do not know what you are considering with respect to me and others like us. As I said, I am not a member of any association. Basically, we want to keep our family home.

All we are saying to the committee is to think of us and treat us fairly. I have no suggestions to make to solve your problems. I am just an ordinary citizen. My wife was very reluctant about my coming here, but I thought I would come. I wrote the letter. It has been used as a family home. It continues to be used as a family home and we would like to see it continue to do so. I have nothing more to say.

Mr. Chairman: Thank you.

Mr. Reville: Thank you for coming, Mr. Cormack. We are delighted when ordinary citizens, as you describe yourself, come. It is your right to come and we are glad to hear what you have to say.

Have you ever been in touch with the Ministry of Housing or the Residential Tenancy Commission?

Mr. Cormack: The only time we were in touch with them was to see whether we were under the present rent control system, to find out the date. Was it 1976?

Mr. Reville: Yes.

Mr. Cormack: I think that is the only time; no other time.

Mr. Reville: From your circumstances, my sense is that you are now covered by the current rent review system, but you may want to check on that.

Mr. Cormack: I believe we are.

Mr. Reville: I do not want to speak for the government on this because I am not a member of the government, but we have heard from a lot of small landlords such as you who own one or two properties and we have heard a lot about the problems they have.

Would it be of assistance to you if the government were to develop some kind of information package particularly for the small landlord?

Mr. Cormack: Yes, I think it would be helpful. I know the bill is printed, but I did not even attempt to read it.

Mr. Reville: You are not alone in that regard. It is a very complex piece of legislation. For people who are not in the business of property management, it may be very difficult to get through. You should feel free to call the Ministry of Housing and ask any questions you may have. It is certainly their responsibility to answer those questions.

Mr. Cormack: If the guidelines are clear enough, that is fine, but if something were to happen to me and my wife had to look after the situation, I do not know what she would do. Whom would she see about these guidelines? If things were not fair and simple so everyone could understand, she might be forced into selling our family home because, as you know, Swansea has a lot of senior citizens. There is a lady three doors away from where we rent who is 90. How does she know whether she can rent or not? If someone comes along and says, "You can have only this percentage this time and that percentage another time," it just boggles the mind.

Mr. Reville: Yes. The point you are very clearly making is that the government is going to have to do much better in getting information to both landlords and tenants, particularly smaller landlords who are going to need to be walked through this legislation so they know what applies to them and what does not.

Mr. Cormack: I would emphasize the fairness, without getting into all the mathematics. In some way, the small landlord must get somewhere near what would be a fair economic rent for the property. I do not know how you will devise that and I will leave that in your hands. As I have said, and I will not repeat myself, we rely on the income for the future of our children. Selling the property would be the easiest thing to do. In Swansea, they are knocking at the door every day and asking, "Will you sell?" The price is very good, but maybe there is more than money attached to this. They say you should never mix emotion with business, but I find it very difficult in these circumstances.

Mr. Reville: I wonder whether Mr. Peters would comment on changes in the system that might make things better for the smaller landlord.

Mr. Chairman: I am not sure of Mr. Peters's exact title, but he is a very high Pooh-Bah in the Ministry of Housing.

Mr. Jackson: Now we are getting somewhere.

Mr. Reville: I thought he was promoted from Pooh-Bah to high muck-a-muck. You can call him any hour of the day or night, and he will be glad to answer your questions.

Mr. Peters: That is true. One of the concerns we intended to address during our presentation to the committee was the requirement to embark on a very comprehensive educational campaign, in the first instance, to make both landlords and tenants fully aware of the law, regardless of the size of the landlord's portfolio.

To do that in the role of the honest broker is to make sure the landlord and the tenant are both aware of their rights under the law and are able to exercise those rights, if necessary, with the assistance of the rent review administrator. As we have said, the whole process is developed to be user friendly in the sense that it should not be complex; it should not be intimidating to either a landlord or a tenant; and it should not be frustrating. It should be a simple process of going forward and having the bona fide elements of an application recognized and explained.

That is a key part of the legislation. We have tried to do that, at least in part, by developing the guide to the legislation. I would be more than happy to give you a copy in a few moments, sir. If I am not mistaken, what was tabled with the committee was the content or an outline of the educational program. That will obviously need some work once we have the final statute.

During the consultation process to date, we have made a number of contacts with both landlord and tenant groups. According to the bill, the minister will be required through whatever means possible, including the making of grants, to provide that educational component. We are quite prepared to do that regardless of the size of the landlord, the landlord's portfolio, the tenants' association or whatever you have.

Mr. Hennessy: To clarify, the gentleman has one home. It does not pay him to hire a lawyer because the money spent on legal fees will not pay towards his home. There may be a lot of people who have bought a home, who maybe have their own home and have bought one for their future pension, their children, or whatever, and wind up at the bottom of the totem pole. They are more or less powerless because of the big guys on top. The tenants are the main concern, but the small person on the bottom is more or less left to fend for himself. The ministry should look into this possibility.

13:40

You are taking care of everybody, but then three per cent of the people are not taken care of and you wind up with what the gentleman has just said to us. I assume, sir, that you are not getting enough revenue from your home. You felt that if you invested in a term deposit or something, you would get more money. Is that right?

Mr. Cormack: I have two answers for that. Yes, if we sold now, we would get more than we are receiving. Because we want to keep it, we are satisfied with the present rent we are receiving. It is not an economical rent, but the people look after it, and a number of other factors enter in.

Mr. Hennessy: There are always problems?

Mr. Cormack: For instance, there was a problem with the plumbing, which cost \$1,100 just this last weekend.

Mr. Hennessy: If you had to spend money for a lawyer to go to the ministry, it would not pay you to keep the house.

Mr. Cormack: This is what we are concerned about.

Mr. Hennessy: Would you be kind enough to take that into consideration, sir?

Mr. Peters: One of the key features of the new legislation is the attempt by the process called administrative review to remove the requirement in a great many of cases to have legal counsel, at least at the first stage. That in itself is a significant change proposed under the new law.

The process is meant to be helpful and problem-solving in its orientation. It is not there to foster an adversarial relationship between the landlord and the tenant. It is rather an attempt to recognize that under the law there are certain clear-cut issues of economics in the ownership and management of the rental property. For those, there will be clear regulations established. We are confident that process will be much more direct, less adversarial and much quicker for both the landlord and the tenant.

It is not necessary nor is it intended that legal counsel be required. Certainly, I would feel somewhat upset if any individual, whether landlord or tenant, felt it necessary to have a lawyer when he came to talk to us in the ministry. I would be more than happy to talk to anyone, whether a landlord or a tenant, about the current law or the proposed law. The act itself is an attempt to simplify the procedure for both and, for that very same reason, for a smaller landlord.

Mr. Hennessy: Thank you very much for attending.

Ms.-E. J. Smith: I too appreciate your coming. You speak very clearly the message of the small landlord.

I am with the government and I want to state very strongly to you, to repeat part of what Mr. Peters has said, that the intention of the act is to try to make it easier for you not to have to hire lawyers and go through a complicated process. I hope you will take advantage of the service that is being offered.

When we talk about putting money into education, at least in my own mind I do not visualize the public running in for classes on rent control and reading this bill. What we surely have to mean is that you will get all the help to deal with your individual case and all the advantages you can get in protecting yourself.

I point out two things, especially for someone who like yourself is an individual and therefore not likely to make a big study of this bill. One is the new concept that in the future what will be on record is the highest rent that you can charge; you do not necessarily have to charge that.

You should start getting involved to find out what will be permitted to you and keep on top of that. Even though you may have a single parent or someone to whom you do not want to charge the top rent, still what is permitted to you will increase with inflation and so on. You should do these things so that you can keep that on record.

I note you were talking about your plumbing repairs. These are things someone in the ministry can help you to take advantage of in this bill, to make sure they are capitalized and become part of your allowable rent. I would encourage you to go to the Ministry of Housing people and get the help you need. If you have any trouble, go to your member and say: "Hey, I was there in Toronto. They told me there is help out there and I want it." You have a right to it and I am sure they will give it to you. If you have any problem getting it, remind your member you want it.

Mr. Jackson: It is interesting; Ms. Smith has stimulated a good question. You indicated to Mr. Cormack that every effort will be made by the government to protect him.

Ms. E. J. Smith: To protect his rights.

Mr. Jackson: I just wondered from whom we are to protect him; from the tenants, big government or who.

Ms. E. J. Smith: To protect his income might be a better word.

Mr. Jackson: Oh, okay. You did not have to answer.

My question, which has been stimulated by our deputant, is to Mr. Peters. Has the government ever considered, or to your knowledge did the Rent Review Advisory Committee ever consider, a more simplified version of this bill for small landlords, small-building owners, much in the same way that there was a break in Bill 11 and other pieces of legislation where there has been a distinction for size? It strikes me as odd that we would expect a single proprietor to go through all the processes, fancy appeals, intimidating processes of appeals and so on. I know you have been asked this question in various forms, but was it ever considered for this bill, to your knowledge?

Mr. Peters: I am not sure I fully understand the question.

Mr. Jackson: Currently, there is no break in this bill to distinguish between a large landlord and a small one.

Mr. Peters: That is correct.

Mr. Jackson: Was there any active consideration by your ministry, which drafted the bill, or the RRAC, which helped to formulate it, that would indicate support for a differentiation between large and small landlords; in essence, the type of case Mr. Cormack has presented to us? He is quite different from Cadillac Fairview.

Mr. Peters: Discussions that were held at the RRAC in terms of treatment did not address whether small, medium or large landlords should or should not be excluded or included in rent regulation. However, there was some discussion about the applicability of differential guidelines among types of buildings. The decision finally came that it would be best to have a single rent regulation guideline or percentage increase regardless of building type.

The concern was consistent on both sides of the RRAC that when the law was passed there was an obligation to explain clearly to both landlords and tenants their rights and obligations under the statute.

Mr. Jackson: I do not want to get into a debate on this but I want to explore it one step further, to state you will help to explain to a single

proprietor-landlord that there are no real services that exist for him or her in the community, other than to go directly to the ministry. This is the first time we have been led to believe it would be there to protect one side of the equation. That is why I keyed in on Ms. Smith's statements about protecting you; that you would come to the government to have your rights protected. It strikes me that the government is supposedly at arm's length.

Ms. E. J. Smith: On a point of personal privilege, Mr. Chairman: I completely object to that. It is not fair to say I said the government is there to protect one side of the issue. We are talking to one individual. I am addressing him, and any inference that I am therefore going to pick on tenants is so childish I can hardly be bothered to answer to it.

Mr. Jackson: You have bothered to answer to it.

Ms. E. J. Smith: Yes, I have, except--

Mr. Jackson: You took the occasion to do it when I raised the question. You responded that the rights of the landlords would be protected by the government.

Ms. E. J. Smith: The rights of people, Mr. Jackson.

Mr. Jackson: We understand you are trying to walk down the middle of the fence here.

Ms. E. J. Smith: I am trying to be fair.

The point that I am trying to raise is, if we as legislators are having difficulty understanding the formula in its application, how do we expect the members of the public to understand without the assistance of accountants who are lawyers? As Ms. Smith says, we are going to protect everybody's rights. Tenants have processes in place by which they can appeal. Surely at some point a landlord can say, "Look, it is not even worth it with all of the costs that I am going to incur." Is it the intention that the government offices, the 21 field offices, provide that service? I would really like that point clarified a little more, because we are developing a process here.

13:50

Mr. Peters: I think there are two points. One is that in my earlier remarks I mentioned, I believe, that the role of the rent review administrator is to be the honest broker; in other words, to recognize that under the statute as drafted the landlord has certain rights and obligations and so does the tenant. The process we have in mind is to make sure that both are aware of those and are fairly dealt with. It is not to foster or to champion one side or the other. The process itself, as I vocally indicated earlier, is directed towards that end.

There are organizations in the community now where landlords receive some ongoing assistance; for example, the Landlord's Self Help Centre. A member of the Rent Review Advisory Committee, Mr. Libman, is the representative of that group. It is our intent to exploit those organizations and opportunities to make sure that landlords and tenants understand what the law is and that we are able to interpret it to them.

One other point might be addressed. In terms of the complexity, for example, as we discussed earlier, the annual guideline is a real number,

whatever the percentage is. It does not come out as a complex formula. The application of the formula leads you to a value that is publicized. Let us say, for example, the guideline is 4.4 per cent. That is somewhat different, I suggest, than having a complex formula.

No landlord will be required to engage in the computations of the formula. We can explain to him or to the tenants what elements are contained in the formula and how one achieves the result. They will be working with, as they have in the past, one numerical value, the statutory guideline increase for that year.

Mr. Cormack: I have heard about my rights and the figures, but is there not some humanity in this? Say the percentage increase does not come close to being an economic rent; do we sell?

Mr. Jackson: Keep it vacant and get a capital loss.

Mr. Peters: Without going into the specifics of your situation, the rent regulation program, whether passed or proposed, certainly is there to prevent you from incurring any financial loss. The rent that you get may well be different from what you might receive as a market rent for that unit. Again, I do not want to get into the personal situation, but if there is a loss, then the regulation allows you under the law to eliminate that loss and get to a point where you are not losing money and are protecting the value of your asset over time.

Mr. Cormack: To break even is not any good. Universities do not take IOUs; they do not look at the balance sheet of my rental property.

All I am saying through all this is that these firm figures and guidelines bother me. I am asking for some humane way of treating people. I do not know whether rent review considers the circumstances of the person or whether it just looks for X per cent and that is all. I do not know.

Mr. Jackson: I want to follow on that point, because that is essentially the point I was trying to make. Given Mr. Peters's response, even though we can assure small landlords that in no way do we intend the legislation to leave them in a financial loss situation, I guess the concern is that as the government's involvement increases--because we are increasing the number of steps and the process--it is clearly a larger domain than it was under previous legislation. It could be fairer. We can put all sorts of values on it, but we can agree that it will be a larger process.

It may take the single landlord such as Mr. Cormack six months to a year to determine that fairness, and he may be held without getting his increase because of the process. With all the appeals and everything, it could take him as much as a year. That might be too late. He might just throw his hands up. You gave a personal experience and a reason for becoming a landlord. You did not do it out of choice. You did not plan to be a landlord; it happened out of family circumstances. In certain economic times, when people cannot sell their homes, they decide to rent until the market improves. They become landlords not necessarily by choice.

However, we are developing a process that could take a rather extensive amount of time. Perhaps Mr. Peters would comment on that. Justice will be served but perhaps a year after the problem has been first flagged by the tenant refusing the increase and the landlord requesting it.

Mr. Peters: The act as drafted and the principles behind it are a concerted attempt to make sure the process is less complex than that previously in place, and faster, and to avoid the same situations that small landlords have complained about in the past--that it was too time consuming. By the time they understood the law and made application, they were constantly trying to catch up.

What we are attempting to do is to make sure that when a small landlord comes and seeks an increase greater than the guideline, the same 90-day time requirement is upon us to adjudicate the application and to make the result known so that he or she may raise the rent as of the first date that it can legally be raised within the 12-month period.

In talking about that process, I fully concede one has to make sure that both are aware of the process and how they can utilize it. That is why I talk about the requirement for the educational process. Many of the small landlords have consistently told us they would prefer not to go through a process with a formal, quasi-judicial hearing at the first stage. In many cases they have chosen not to go and have found they have missed bona fide reasons for rent adjustments. We hope our system will resolve those difficulties and prevent them from waking up five years from now and saying, "If I had gone to rent regulation, my rent base would be adequate." Granted it will take some time, but we are optimistic that, given the contacts we have made, we will be able to do that.

Mr. Chairman: Are there any other comments from members of the committee? Mr. Cormack did you want to finish?

Mr. Cormack: In conclusion, I have made my point and I thank you gentlemen and ladies for hearing me. In the home we have rented, we did not have an increase for two years. We were not under control. Where do we stand? We had a low rate of income from it before. It was for a single person. I do not know how we are going to get a fair rent, because it was well below market value and it was a two-year lease at X dollars. I do not know what happens now. I do not know whether it is retroactive or what happens to it.

I guess the basic thing I wanted to say is, "Here is a person, not a corporation, who owns a property."

Mr. Chairman: Mr. Cormack, perhaps you understand now why we allowed a half hour. While your presentation was short and simple, it was also eloquent and we appreciate the fact that you came down to make it to us. Thank you.

Before we go to the next group, if it is here, Jerry Richmond was wondering in my ear, I think appropriately so, whether the ministry has put together any kind of flow chart to show tenants and landlords the process of application and appeal in a very simple and straightforward way for people who do not get pleasure from reading a bill, who may outnumber those who do.

14:00

Mr. Church: That would be very simple and we would be delighted to bring it to the committee. I am a little nervous that none of my staff is present to hear that promise, so I had better remember.

Mr. Chairman: The next group is McQuesten Legal and Community Services. Are Peter Cassidy and Maggie Fischback here? They are not scheduled

until 2:30. Is Jim Langman here? Could you make your presentation now? This is exhibit 53 scheduled for three o'clock. Mr. Langman is an hour early.

Mr. Langman, thank you for coming before the committee. Exhibit 53 is not one page.

JIM LANGMAN

Mr. Langman: Mr. Chairman, ladies and gentlemen, I am a residential landlord in the city of Barrie and a member of the Fair Rental Policy Organization of Ontario. From 1961 to 1970, my wife and I operated a service station, mechanical repair shop, welding shop, car wash, snowmobile dealership and a 24-hour towing service, with both of us often working between 16 and 18 hours per day, seven days a week. Upon selling the business and property, we invested in the residential rental business, often paying cash for these properties.

To my knowledge, rental income and interest is the same: a return on investment. This would be a great country if we all invested our savings in bank notes or Canada savings bonds. I am afraid our country would not prosper and unemployment would be exceptionally high.

In 1976, our rents were equivalent to other rentals of the same quality in the same city. Due to rent controls on my units, no mortgages, and my wife, two teen-age children and myself doing all maintenance, minor and major repairs, my rents are now 50 to 60 per cent less than those not under rent control where the landlord hires all services and has a large mortgage on the property.

My residential rental business--I have nine rental units in three different buildings--requires an average of approximately 50 hours per week doing maintenance, major and minor repairs, bookkeeping, etc. I also have a registered business called Langman's Mobile Mechanical Service, at which I work very little. The main purpose of this business is to purchase apartment service, vehicle parts, lawnmower and snowblower parts, hardware, plumbing, electrical supplies, tools and appliance repair parts, all at 25 to 50 per cent discount off retail prices.

Our son, an architect of a large building firm, has purchased for me solid glass storefront doors, security locks, aluminum frame and thermal pane store windows, often up to 55 per cent less than the local dealer. I also have in storage approximately \$4,500 worth of lumber, doors, hardware, plumbing, electrical supplies, spare fridge, stove, washer, dryer and much more to service this business. I have purchased all these items from garage sales, paying cash with no receipts, and have overhauled and painted most of the appliances.

When using any of this stock in my apartment business, I cannot charge anything against the expense to operate this business because only items with a proper receipt are accepted. Even in my other business, Langman's Mobile Mechanical Service, I cannot charge from one business to another because it is an arm's-length transaction.

I can sell a newly painted fridge for \$250, but I must give it to my tenants, except for the cost of the quart of paint. Under the present system, I must now pass all these savings on to my tenants and I will receive nothing or very little for my labour. Because of a very large investment in tools, I am in the tool and equipment rental business in a small way, mainly to stop

people from borrowing them, but I am not allowed to charge rent to the apartment business for the use of any of these tools and equipment, another arm's-length transaction.

14:20

Another source of income I once had was the interest on a mortgage from the sale of vacant land I once owned. This income stopped completely when I cashed in \$65,000 worth and bought a fourplex apartment building five years ago. I completely remodelled it, paying off existing mortgages owing at 14.5 per cent. After doing this and applying for a rent increase to bring our rents up to comparable rents elsewhere, I find out now I am not entitled to a return on my money invested. The interest I was receiving was our main source of income to buy groceries and raise a family, and even a landlord requires a place to live.

Because of extensive repairs and remodelling on all my nine rental units in three different buildings in the past four years and my low rents, in 1985 I applied for a rent increase above the four per cent allowed. Each property must be done separately. What a lot of paperwork it is for us as landlords. The year-end income tax report is a cinch compared to the rent control demands.

A triplex on which I spent \$6,000 in extensive repairs in 1984 was completely disregarded because I was one year late in applying. The balance of repairs done in 1985, in the amount of \$5,716, was considered, but because of my mortgage owing on this property and not hiring out any maintenance or repairs, this property showed a profit, which must be used towards repairs. I ended up with a 12.8 per cent increase, 8.8 per cent above the four per cent allowed, or a total rent increase of \$96 per month, out of which I pay \$354 per month for three years to a bank building and remodelling loan. Financially, it was unwise of me to do any of these repairs--the small profit I once made to cover labour and no longer receive.

I bought a fourplex in 1981 for \$101,000. I have done major repairs each year, bringing the building's appearance, apartment units and grounds up to number one quality. Units equivalent to this elsewhere are renting for \$650 to \$680 per month. On the \$65,000 of my money invested plus all my labour put in on this property in past years, I have received nothing, and under current regulations, I never will.

My rents now have been increased to \$480 per month, which includes a 980-square-foot apartment unit, two bedrooms, a dining room, appliances, parking, heat, storage areas inside and outside, hot water, coin-operated washer and dryer laundry facilities and picnic tables.

Two years ago I made one upper unit in this building into a deluxe unit with wall-to-wall broadloom throughout and sheers-on-sheers curtains on both living-room and dining-room windows. Many of the walls were wallpapered. I bought a larger, two-door fridge, remodelled the kitchen and bathroom, installed phone jacks in all the rooms, installed a chandelier and much more, at a cost to me of approximately \$4,000.

The commissioner set a rent of \$2 per month more on this unit, compared to the same size of unit across the hall and another on the lower level. At the time of the hearing I presented the commissioner with a signed statement from the tenant, stating that he was willing to pay \$35 per month more than the other tenants to cover the extras. Now, for \$2 per month more, the other tenants think they are entitled to the same luxuries. Even the tenants cannot be treated fairly under the current system.

On a building and property now valued at \$220,000, my rents are based on 1985 general expenses, all moneys paid out for material only in 1985. In 1985, I did 54 per cent of the labour myself. The balance was not accepted. About interest at the rate of eight per cent on a \$33,000 loan from my parents, we were first told by the commissioner that the loan could not be considered because it was an arm's-length transaction and was not registered as a mortgage, making this property free of debt. Later, it was considered. My parents have lent all their children money at three or four per cent below the regular interest rate. This is a gift from them to us. However, my gift was given to my tenants in the way of a rent reduction, not to me at all.

There is no way I can sell this property to recapture my losses in personal money invested, with interest, material and labour prior to 1984. Who would ever pay \$220,000 for a piece of property that is only paying expenses and interest at the rate of eight per cent on \$44,000 without going through rent review and taking three to four years of financial loss to the landlord? This property is really worth only \$44,000 to take care of its own expenses now.

14:10

My third property, now renting at \$420 per month, is a three-bedroom home with a finished recreation room, a gas fireplace in the basement, all four appliances plus air-conditioning and a garage. On August 1, 1986, I applied for a 54.75 per cent increase to bring the rents up to equivalent rents elsewhere in the same city. But with no mortgage and not hiring outside labour, probably I will receive very little, if any, increase. This piece of property has been for sale for the past three months, but because the rental increase is low, a purchaser does not want the hassles of rent control and expects to purchase this property for approximately \$25,000 below the market value. Rental income greatly controls the value of property.

Twice this year, in different buildings, while I was applying for a rent increase, two of my tenants moved during the 90-day period. What a problem it is to rent in this situation. We tell the new people interested: "The first month's rent will be \$380. From then on, I have no idea what it will be, but you must sign a year's lease." It is like buying a car, driving it for a month, then being told what the car is going to cost you.

On August 1, 1986, upon applying for a rent increase above the four per cent due November 1, 1986, on my three-bedroom home, my tenants gave notice that they would vacate at the end of September, which is the end of this month. My hearing will be during the first part of October, and I will receive notice of the rent increase allowed some time in November; so by December 1, I can advertise this one for rent at a set monthly rental income with a lease. Most good tenants make housing arrangements 30 to 60 days ahead. So by January 1, 1987, these premises should be occupied by a tenant who knows what his rent will be for the next 10 months. Then I must again apply for a rent increase to compensate for the rental income lost the previous year. This system definitely is not fair to the tenant.

Under the present rent control system, I am forced to sell all my rental properties at much below market value, below income, receive 10 per cent to 11 per cent on my money, then buy the equivalent property with only 15 per cent of the purchase price invested. With a large mortgage and having hired all these services, through rent control I may increase my rents substantially. In the meantime, the new owner of my previous properties is doing the same thing, promptly doubling the rent to cover expenses.

I do not want to sell my properties, all of which I have completely remodelled. I want the right to do my own maintenance repair for a full wage and receive a return at today's value of property, not what I paid for it 20 years ago. I would like the right to charge rents that would compare with the other rental properties. I do not believe it is any of my tenants' business to know only about the premises they are occupying.

If the agreement for a tenant in a single dwelling is to cut the grass, remove the snow from the drive, keep the flower beds, keep the inside of the house clean and if, after moving in, they refuse to do any of these things, the landlord should have the right to charge a maintenance fee above the rent set. I would also like the right to operate my own business. The landlord has lost this right.

I value my rental assets at \$415,000, less a \$44,000 loan owing. I would very much like to pay our government income tax on this business. Out of this, possibly one or two my tenants could be subsidized if their incomes were below a certain figure. This also would mean after tax I would be allowed the balance for my personal living expenses, to pay some mortgages, principal and renovation expenses. Rental income is not a qualifying income for Canada pension. This also leaves a full-time landlord with no Canada pension at age 65.

Six years ago, I applied for a government loan to assist me with two children in college. I was refused and told to sell one of my rental buildings. I was not asking for a gift, just a loan so my children could get a college education and become self-supporting.

A \$750,000 interest-free loan for 15 years was given just recently to a large builder in Barrie to build 120 rental units, with 40 per cent of these units to be occupied by low-income families, a portion of which is to be subsidized by our government each month. In this new building, rents will be approximately \$650 to \$750 per month. The \$750,000 loan's interest is valued at more than \$1.5 million. How can a landlord with no interest-free loan and rents between \$350 and \$450 per month even compete?

I agree that many tenants require financial assistance. But why must they move to a special building to receive this, and why should one landlord receive this gift when the others pay full interest? When this building is finished and the mortgage is transferable, it would be a buy at \$10,000 per unit more than the equivalent property elsewhere. That is only \$1.2 million, a saving of \$300,000.

When a landlord applies for a rent increase above the amount allowed, I feel there should be a 15-minute inspection of each apartment unit by at least two inspectors, who will note the condition and type of building, the floor level, the utilities, appliances, parking, storage, laundry facilities and recreation facilities included in the monthly rent and whether all this is really needed. Then an average monthly rent will be set from the two appraisals.

This inspection and rental rate must be done and tenants notified during the first 30 days after applying for an increase. If the tenant cannot afford the increase, he may give 60 days' notice to vacate or apply for government rent assistance before the day of the increase takes place, that this assistance will be made available. Now the landlord advertises his property for rent at an equal monthly rate for one year.

It is very common for the commissioner's decision on one rate to be received by tenant and landlord after the increase is due, with the tenant paying retroactive rent. If the premises are not properly maintained after inspection, the tenant should have the right to a rent rebate. This system would save the landlord a lot of bookkeeping, and the landlord and tenant would not feel as if they were on trial at a hearing.

The tenant or inspectors need not know the landlord's finances. Who does the maintenance or repairs, the age of the lawnmower or the snowblower or whether the maintenance and repair service vehicle is an old rusty station wagon or truck or a late-model rented vehicle should not matter. These items should not affect the inspector's decision. If I can operate my business more efficiently than the next person, that should be to my advantage, not my tenants'.

Surely this system could be cheaper and faster, and all tenants and landlords would be treated fairly if the tenants paid for what they receive. If the landlord has a large mortgage and hires out all maintenance and repairs, he will no doubt have very little for himself at the end of the year, but if the opposite is so, this landlord will be building new units or paying substantial income tax.

Due to circumstances, grade public school is the extent of my education, but I was lucky to be a Canadian and live in the land of opportunity with equal rights for all, until rules and regulations, such as we have here, affected one type of business only.

I can no longer subsidize nine homes and not be allowed an income to live on. I am positive I do not have a tenant who will work for the wages I made last year, \$1.22 an hour, and lend me \$45,000 to \$50,000 interest-free, which is the value of their accommodation.

Since applying for a rent increase above the amount allowed, I have in the past five months been asked by three of my tenants to stop doing all repairs to the property in the future. They would sooner see the property deteriorate and the rents stay low. One tenant has actually ordered me right off the property. I feel I have the right to maintain my own investment properly.

I would like to employ a college student during the summer months to assist me with property maintenance, roofing, aluminum work, cement work and other jobs. All major outside work must be done during the fair weather. Then maybe we could even take a week's holiday. The money required to pay wages is needed more for principal payments, general expenses and major repair materials. If I could receive even 10 per cent of my investment, I would not mind paying a portion of this for wages. If my rental income were paying off large mortgages of 85 per cent of my property value, I would not mind working 70 to 80 hours a week to make a living--20 to 30 hours at a part-time job after looking after the apartments.

I feel as if I have been penalized for investing my own money and doing my own maintenance, repairs and bookkeeping. My rents are low and the property value is low, and we seem to be working longer hours each year. Our personal incomes keep getting smaller each year through high inflation and control on rental income.

I understand there is a new rule about to be passed allowing landlords to receive 10 per cent on their investment if the building was constructed

after 1975. This regulation will bring down extremely the value of my apartments, since they were built prior to that date, and increase the value of those receiving the 10 per cent. This will just add to my problems.

It is like telling me my money invested is worth nothing because it is more than 12 years old and that my 12-year-old building is of no value. If I could receive 10 per cent on the value of my money, I would certainly consider building new rental accommodation, which we need very much. Equal rates for all is hard to believe with a rule such as this.

14:20

Residential renting is a business. Any business must be properly maintained or it will reduce in value. The owner of any business is entitled to a fair wage for his or her services. A new business, very much in debt, must pay debt expenses and interest. When the debt has been eliminated, at least the same amount in profit must be made to expand, even if 35 to 40 per cent of profit is paid in income tax. If every business must lower the price of its product once its debt is paid, why would anybody want to be self-employed? And what a variation we would have in consumer prices. I am all for rent control, but why can it not be fair to all landlords and tenants equally?

Renting is a simple business: You just get so much a month for the use of your accommodation. As you know, these are the rules under Bill 51, and these are the other rules and regulations, all different. It is such a simple thing, but look at the laws. In applying for an increase, this is the paperwork involved for one building. Everything has to be made in duplicate, which takes hours and hours of work.

I am not a big landlord, but I cannot hang on any longer. I have to get out. You will see a letter here that I have taken to my member of Parliament, offering to turn all my rental properties over to the government. I would work for them for so much an hour, maintain my property and they would pay me 85 per cent of the value of my property, which is under the rent review contract. Out of that I would look after the bank loans, mortgages and all expenses. I was told that would not be feasible. It would cost the government a lot more than the rents it would receive. But I am paying it. I have a summer property, but I want to stay in business and buy elsewhere and take that money to live on. I do not think that is fair.

I have covered a lot of things. There are a lot of personal figures in there which, if it is going to be printed, I would just as soon not have printed because that is just between us.

The Vice-Chairman: Thank you, Mr. Langman. One of the members wishes to address you in the form of a question.

Mr. Reville: You certainly did give us a lot of information. It has all gone into Hansard. I do not know how you will feel about that. You may want to talk to the clerk.

When you offered your properties to the government, who did you offer them to?

Mr. Langman: Earl Rowe.

Mr. Reville: When did you offer that to Mr. Rowe?

Mr. Langman: Last December.

Mr. Reville: December 1985?

Mr. Langman: Yes.

Mr. Reville: Mr. Rowe was not with the government at that time; so you may want to make your offer to this guy here, Mr. Curling, who is the Minister of Housing.

Mr. Jackson: They are quite attractive properties. The one on the bottom is a special bargain at \$420 a month.

Mr. Langman: Yes, but the rent is not feasible and way out of line for it. I have no mortgage; I bought it 20 years ago. I have no bills; I have to have bills when I go in. All my sources of income are gone.

Mr. Reville: I am sorry; do you mind if I ask my question?

The Vice-Chairman: Go ahead, Mr. Reville.

Mr. Reville: You said you are a member of the Fair Rental Policy Organization.

Mr. Langman: Yes.

Mr. Reville: Am I correct in assuming you do not like Bill 51?

Mr. Langman: No. I have gone through Bill 51. I do not understand it 100 per cent. I cannot say I understand it completely. I cannot say I completely disregard the whole thing. There are certain things in it, no doubt, with regard to landlords receiving 10 per cent after a building was built in 1976--is that a part of Bill 51?

Mr. Reville: Yes.

Mr. Langman: I do not go for that, because if my building was built in 1974 it would bring the value way down. I will sell it cheap and buy a building built in 1976. I would pay a lot more money.

Mr. Reville: The reason I am asking this question is that we have had a number of members of your organization before us. Mr. Grenier, who is the president, was on the Rent Review Advisory Committee which made recommendations that are reflected in the bill. I was trying to get a sense from you as to whether you supported the position of the Fair Rental Policy Organization in respect of Bill 51. Maybe you could tell us how the Fair Rental Policy Organization has communicated to you about Bill 51.

Mr. Langman: Not an awful lot. I have been a member for only approximately six weeks.

Mr. Reville: I see. You are a new member.

Mr. Langman: I am a very new member, and the information that you have received in my behalf I have also sent to them. I am a very new member. I am not up to date on everything they are doing.

Mr. Reville: You might want to be in touch with them to get some more detail about the provisions in the bill.

Mr. Langman: Yes. No doubt they will be sending that to me.

Mr. Jackson: Mr. Langman, you were present in the room when Mr. Cormack was before us, when we asked or stimulated a series of questions. Do you concur with the contention that perhaps there should be a change in the bill for small landlords, for buildings of three units or fewer, to simplify processes? Should it have been more actively considered? Do you feel there is merit in this committee, as a legislative body, pursuing that?

Mr. Langman: Yes. I agree with that, because a big organization with 100 units has a secretary, an office and full staff. They employ everything. That is a different situation altogether, because a person pays his people's wages and all his debts and expenses. At the same time, that person is entitled to something on his investment, if that building is paid for, to keep rents fair. This is too complicated a system for a small businessman. There are thousands and thousands of rental accommodations belonging to average workers, who have an additional apartment in their houses or one or two down the street; but the whole system is so complicated they cannot be bothered going to rent review. They are just selling the properties and getting rid of them.

Mr. Jackson: You strike me as a businessman who has done fairly well and who has taken the time and the energy to learn about the system, in terms of the previous legislation that impacts on you. Now you are faced with a new bill, which you, like us, have struggled through to try to understand. In your opinion now, will you be engaging legal counsel, accountants or additional services to assist you to comprehend and to prepare you for presentations as a result of presentations before the commission under Bill 51, or do you feel that you will be able to do that on your own?

Mr. Langman: No. I have already applied for a rent increase hearing, which is due in October, next month. The papers have gone in, and I have already applied for a lawyer's assistance to do this, because it has got beyond my means. Besides that, I cannot see myself sitting there for two hours and being hassled in front of a commissioner. It is not a court hearing. We are just businessmen supplying places for our tenants.

Mr. Jackson: That is the current process. We are now looking to replace that with this new bill. I am asking you to look beyond your current application. I am expecting of you a response based on your understandings of the new bill, and perhaps that is the area of the bill with which you are not too familiar.

Mr. Langman: No. I am not too familiar with that. I would appreciate it if you would familiarize me with that, if you could.

Mr. Jackson: It is a complex bill. I would not want to try to take you through the various aspects of it right now. I just wonder whether you have resolved, at least from your initial broad-brush look at the bill, that you would be able to respond to it or that you would still feel the need to consult and pay for those consultations with lawyers and accountants in the process. That is really all I am trying to establish.

Mr. Langman: Yes.

Mr. Jackson: We know you had to in the previous system. We are just trying to get a handle on whether you feel at this point that you might require it under the new Bill 51.

Mr. Langman: Yes. I would require legal assistance.

Mr. Davis: I have a short question for Mr. Langman. You have the bill. How do you receive information about what that bill means? Do you do it yourself? Do you just read it?

Mr. Langman: Yes. I have gone over it two or three times.

Mr. Davis: Did you understand it?

Mr. Langman: Not 100 per cent, no. My wife has a lot more education than I and she is having a time trying to understand it. To prepare the proper paperwork in regard to the bill is very hard to do. We practically have to take all this down to the lawyer.

14:30

Mr. Davis: The minister and his staff have indicated continually throughout these hearings that they will provide a forum for educating the tenant and the landlord. Today we have had two landlords before us who do not understand the bill. The gentleman before us now has indicated he is probably going to have hire legal assistance, be that a lawyer, an accountant or whoever, to make his case at the various hearings so that they take the time to learn the bill.

Can the minister indicate to the committee what he has in mind as to the kind of education process he is going to incorporate across this province to inform tenants and landlords of their rights under Bill 51?

Hon. Mr. Curling: That matter was raised before, and I think Mr. Davis was here when we said that we recognize people are not properly informed about many of the issues that affect them and that an education process is being set up under Bill 51. I can ask the staff to go through it with you if you want to do so. You may not have read that part of the process yet. We will be having education programs to make sure all tenants and landlords are aware of what action they can take.

It is not new for a bill to be introduced with which people are not completely familiar. I even see that with my colleagues who have been busy with other things, and I find time to go through that in detail. We will be doing as much as possible to educate the people about this.

Mr. Davis: I do not mind if the minister's staff responds if he has difficulty with it. The question is not that you are not going to have an education process. I understand that. Specifically, what will it be? How will you take that information to the tenants and to the landlords? That is what I am after. What will the process be?

Hon. Mr. Curling: I do not have difficulty with it, Mr. Davis. If you want to have it explained now and lose the opportunity of hearing presentations, I will have the staff go through the education process.

Mr. Church: I assure you I have a good deal of difficulty with it. It is not going to be easy.

We have a strategy now, as a result of the Rent Review Advisory Committee's advice, which the minister has accepted in broad terms. He has asked us to prepare a detailed plan to bring back to him. Some parts are

fairly straightforward. We are obviously going to have to assist advocacy groups on both sides where there are clear requirements for them. Equally clearly, we are going to have to have a general information circular go to all landlords and all tenants. We are going to have to get directly to them. We recognize that.

What is not so clear and is considerably more difficult, and with respect to Mr. Langman's circumstances considerably more important, is how we construct the staffing of the offices to ensure that when a landlord comes in with a complex situation, he does not have to bring his accountant, his lawyer and his cardiac expert with him to work through the system, but can come in with whatever materials he has and expect a reasonably hospitable reception.

Because it is not a hearing environment, there is no major impediment to that in staffing, though there are some significant issues. I do not think Mr. Peters has made any final decisions on the structure of these, but there are two models we have looked at. One is a very customer-friendly kind of approach, where the mandate to the staff member is that the applicant and the respondent will each be treated in exactly the same way and given all the information that is necessary for them to achieve the results they want to achieve. That is the honest broker role that was referred to a while ago.

Another option that was looked at and not adopted because of its complexity was the idea of an employer advocate and an employee advocate as in the Worker's Compensation Board, for example, being brought into the rental business through a tenant advocate and a landlord advocate. The situation is not analogous, and that would not work. We are quite convinced it will not work in a complex process such as this.

Basically, those are the three items: direct mail, advocacy groups and, most important, the ongoing support program within the individual offices where a landlord with an unclear situation or a tenant who does not know his rights receives free and honest advice.

Mr. Davis: Maybe I am naïve, but it seems to me that an educational process is one in which there is an opportunity for the small landlords to gather at a seminar where somebody who understand the bill as it specifically relates to them walks them through it. If I were a small landlord and I came to the commission, I would want some assistance; but I do not want to get there and have your individual give me assistance, if I do not know what is in the bill.

Mr. Church: That is the advocacy component you are referring to. It includes seminars.

Mr. Davis: That is what you are going to introduce.

Mr. Church: Yes. There will be a measure of advocacy funding on both sides on how to exercise their obligations and their rights. We have had several discussions with tenant organizations, landlord organizations, self-help groups and that sort of thing. No specific program has been constructed yet because, not to put it too mildly, the Legislature has yet to enact a bill, so we do not know what we are advising on. As soon as that comes into place, we will have an active program.

Mr. Davis: I have not been around very long, but I have been around long enough to know that the government, of whatever party, along with its counterparts, the civil servants, usually has everything in place. It guesses

what will happen to a bill. A prime example I would like to point out is the sale of school buildings. We were told constantly throughout the standing committee on social development hearings that the government had not arrived at a policy. As soon as Bill 30 was enacted, the House recessed and one week or two weeks' later the government announced its policy for \$1. I would assume you probably have a pretty good idea of where you are going.

Mr. Church: The policy I have described to you is the policy that has been approved to this point by the Rent Review Advisory Committee and the minister. The specifics of precisely how we launch the advocacy funding and the office activity will depend very heavily on some of the issues that are under question here.

Mr. Davis: Thank you. That helps.

Ms. E. J. Smith: You have heard Mr. Church and the minister say, and I hope that when the bill is enacted in whatever form you will remember, that the Rent Review Advisory Committee was made up of landlords and tenants, both of whom wanted to make it a less courtroom-like setting. I hope you will at least start in good faith, without taking lawyers and accountants with you. Speak to the people in the ministry and see whether the intention of the RRAC is being accomplished and whether you are able to get assistance without putting out big amounts of money. This is the intention of the committee, and I am sure it is the hope of members from all parties that the public will be well served by the committee.

Mr. Langman: My biggest problem--and it is my own mistake--is that I am investing my own money and doing my own repairs. I have to find someone else in my city with approximately the same number of units so that I can do his repairs and present him with a bill and he can do my repairs and present me with a bill. I have to switch, and I should switch properties and bills with him too. I would rather do both to get out of this mess financially.

On the building I spent five years completely remodelling, I did not apply for an increase until it was done. You can remodel an apartment only when it is vacant, and it takes time to do it. After it was done, I applied for the increase and I got it only for the work done the previous year. The rest was thrown out--all the repairs I had done prior to that. I feel I was entitled to an increase on what was there to offer, not on what I did the previous year. I feel I am entitled to a return on my money, because I was paying 14.5 per cent elsewhere. I would have been happy if I had received even 10 per cent on my money, but I got nothing.

Mr. Cordiano: Going back to the earlier discussion and the comments made by Mr. Church, was there any such provision in the present system whereby tenants and landlords were being educated?

Mr. Church: There was some. It was not publicly funded per se, except to the degree that legal aid assisted. Our Residential Tenancy Commission is in a somewhat more difficult position than the ministry will be under the new legislation. It is essentially performing a judicial function, and although it conducted mediation on tenant applications, for example, and tried to direct people and be as helpful as it could, it was kind of a contradiction of its mandate to take it as far as we are proposing.

Mr. Cordiano: So we have gone with this bill, but what you attempted to do was to go one step further or a number of steps further.

14:40

Mr.-Church: If the committee is interested, I can give you a little bit of the reasoning of both the tenants and landlords on the committee in this respect. One of the things that became very clear in the discussions was that both sides were very frustrated with the adversarial and paper-oriented nature of the present process.

The tenants in particular pointed out--and I see one of the protagonists sitting here smiling at me--that since the landlords' legal costs were invariably passed on to tenants and the tenants' legal costs were usually picked up by the crown through legal aid, it seemed self-defeating to have a process like this that ended up with tenants and taxpayers paying more.

They put a lot of emphasis on our developing in advance a program that would, albeit out of the taxpayers' money, develop a better kind of mechanism and, I might add, a considerably more expensive mechanism up front that would reduce the utilization costs and the utilization time by landlords and tenants. That is the rough rationale for the approach we are following now.

Mr. Chairman: Mr. Langman, there being no other questions, we thank you very much for being here as early as you were and making your presentation to the committee.

Mr. Langman: Thank you, Mr. Chairman.

Hon. Mr. Curling: Thank you very much.

Mr. Chairman: Are Peter Cassidy and Maggie Fischbuch here now?

Mr. Cassidy: I am here.

Mr. Chairman: This submission is from McQuesten Legal and Community Services.

Mr.-Cassidy: I do have copies of a brief, but I will not be reading it.

Mr. Chairman: Mr. Cassidy, will you tell us a bit about McQuesten Legal and Community Services as you begin your presentation?

MCQUESTEN LEGAL AND COMMUNITY SERVICES

Mr. Cassidy: We are a legal aid clinic, the largest of the three clinics in Hamilton. With nine staff members, we are one of the larger clinics in the province. We have been actively involved in rent review and matters related to landlords and tenants for a number of years. I have been with McQuesten only since February of this year, and a lot of material in the brief is drawn from the work of our community legal worker, Maggie Fischbuch, who is not here, and from previous people who have done rent review work.

One starting point is that we do not consider ourselves bound by the recommendations of the Rent Review Advisory Committee. McQuesten was not involved in any way in the process of selecting the members, and we were not consulted about the committee's deliberations. It is our understanding that the members of that committee do not consider themselves bound by the recommendations, at least not to the extent of supporting the bill.

To some extent, I can applaud the idea of attempting to reach a consensus between landlords and tenants, but my feeling is that it is very difficult to do that, particularly when you come to a matter such as rent review, where you are either for it or against it.

I also have some problems with what took place in the committee in regard to the idea of tradeoffs. As I understand it, one of the considerations was that the tenants would get some assurances that there would be more housing, in return for which they would be willing to accept higher rents from landlords. I have problems with that. You are either for providing housing or you are not for providing housing, and I am concerned about the idea of trading off in that area.

I oppose the bill as it now stands. I consider there are a number of weaknesses in the bill and I want to address those and suggest some recommendations that, if they were accepted, might make the bill more acceptable to other tenant advocates. The areas I am most concerned about are enforcement, the fair hearing procedures and prosecutions. My main sense of the way the rent review system operates now is that it is largely an honour system. It is up to the landlord to some extent to choose whether to go to rent review or whether to follow the guidelines in setting a rent increase.

In doing so, the landlord has to consider several factors. One, legal rents do not pay as much as illegal rents; two, legal rents, particularly if you have to comply with the provisions and perhaps go through a hearing, are more bother than just setting a rent you choose. As opposed to that, under the present system a landlord does have to take into account that if he charges an illegal rent, there is some chance at some time in the future he may have to pay back some of that rent. Given that, as a whole, I see the present system as largely an honour system. When we look at the proposed legislation and how it addresses that question, I have some concerns in that the proposed system essentially starts off with a ratification of illegal rents.

I am concerned that the proposed system still largely leaves it up to the tenants to take action when they discover an illegal rent. The tenant might be notified by the ministry, "It seems you are being charged an illegal rent." If the tenant does not take action on it, my understanding is that the ministry will not take any action. The tenant has to take the action, has to make the application to rent review, the same as he does now, and go to a hearing.

Under the proposed system, as I understand it, when you go to that hearing in the initial stages of the rent registry, the landlord can attempt to justify the illegal rent charged by taking into account all legislation dealing with rent review for the past 10 years. You might be in a position where you are being charged rent of \$400 a month and you are notified that it is an illegal rent and your rent should be only \$300 a month; you have to take that step, go to the ministry and fill out the application. The landlord can attempt to justify the rent and you may find that you get some of it back.

Under the proposed system, there will be back payment only for the unit whose application is being dealt with. If there is a 100-unit apartment building where the landlord has charged illegal rents for every single unit for the past five years, and a tenant who has been there for one year who believes he or she is being charged an illegal rent takes action and manages to prove he or she has been charged an illegal rent, he or she might get a rebate for that unit but the ministry will not take action on any of the other illegal rents for that unit for past years or for other units in the building.

I recognize it is stated in the proposed legislation that it is an offence to charge an illegal rent and that there are some possibilities for prosecution. However, given what I consider to be the ministry's position on illegal rents under the present system and given its attitude under the proposed system of starting off with a ratification of illegal rents and largely leaving it up to tenants to initiate action, I find it very hard to imagine the ministry will notify tenants that they have been charged illegal rents and then initiate the prosecution.

The whole intent and weight of the bill seems to say: "You may have been charged an illegal rent. It is up to you to take action if you want." If the tenant takes action, he might get back some of the illegal rent he was charged. Where does the ministry come in and prosecute for illegal rent? I have some doubts that it does. For many landlords, when they weigh those factors in the balance, it is much more in their interest to charge illegal rents. There is not as much risk involved because it is up to the tenant to take action.

A second area I would like to deal with is fair hearing procedures. I have some problems with the way the present system operates. A tenant is swamped with a mass of documents. You are dealing with what to some extent is considered to be a complicated law or series of acts. We have such things as the residential cost financing amendment act with three different years. We have fairly extensive guidelines.

It is very difficult for many tenants to understand all the applicable laws, guidelines and policy, particularly in smaller centres where it is difficult for tenants to find competent, affordable advocates. In Hamilton, for instance, it is my understanding that a freelance advocate will charge a minimum of \$100 to do a rent review for you.

For legal aid clinics such as ours to do an application, we have to be concerned about the financial eligibility of the client. It is difficult for us to represent tenants in a middle-income building. We have to go through various processes asking: "Is this a priority for us, considering the work we have to do in other areas such as landlord-tenant law, income maintenance law, immigration law and all these other matters? Are we in a position to commit a fair amount of our resources to dealing with rent review legislation?"

It is our understanding that of all the legal aid clinics in southwestern Ontario--and the new clinic in London may change this--we are the only clinic that does any substantial rent review legislation. The situation in Toronto might be different. There are large numbers of clinics that do this and there are large numbers of tenant groups and large numbers of advocates available. That is certainly not my sense in the smaller centres, in Hamilton, London, Windsor, Sudbury, Kitchener and a number of other areas.

14:50

I would also like to mention prosecutions. It is fairly clear that I am speaking as a tenant advocate and that I am concerned about tenants. We are very concerned that the Residential Tenancy Commission does very few prosecutions. We have been trying to get the RTC to prosecute a number of cases, and I will refer briefly to those. We are finding great difficulty in getting the RTC to take action. Part of it is that, under the present system, it is not illegal to charge excess rents. We consider that the message being sent by the ministry in this legislation is to continue in that same spirit. Regardless of what it says in the bill about being illegal to charge excess

rents, we do not expect to see many prosecutions from the ministry in the future.

It is also my understanding--I would perhaps stand corrected on this--that right now the RTC has one investigator, a gentleman by the name of Keith Wilcox, who covers the whole province. I do not know what the ministry is going to provide in the future in terms of investigations dealing with all these matters. I understand there are a number of problems with the RTC legal staff doing prosecutions. I do not know what commitment the ministry is going to make in the future in providing prosecutions.

One specific problem in the proposed act, which I understand mirrors the problems of the previous act, is the use of the word "knowingly." In the previous act, it was an offence knowingly to provide false information to the commission or knowingly to harass tenants for certain actions. It is hard to prove that a landlord has knowingly done that. Under the proposed system, we still have "knowingly," "knowingly" and "knowingly." A landlord may charge illegal rents, harass tenants or take a number of actions, but unless you can prove he did so knowingly, you have difficulty. I would strongly urge removing "knowingly" from the legislation and leaving it as a strict liability.

We are also concerned that, in the legislation as proposed, the harassment provision has been dropped. It is now no longer an offence under the proposed legislation to harass tenants to force them out. I admit that essentially the same wording is in the Landlord and Tenant Act, but to some extent I still think this is a weakening of the protection tenants have under the residential tenancy provisions. The proposed legislation states you may form tenant associations without let or hindrance. That is not an offence. If a landlord chooses to block a tenant association from being formed, in any one of a number of procedures that a landlord may use, that is not an offence. I have some problems with that and suggest it be made an offence.

One of the problems we have to consider is that the relationship between landlord and tenant is to a large extent looked at as a private or personal relationship. To some extent, it should be looked at as a power relationship. Tenants have a great deal invested in the unit they are renting; it is their home. It is where they live. If they run into conflicts with the landlord, a number of problems can arise, not the least of which is the normal bad relations. All my training as an advocate dealing with landlord and tenant matters has been to consult with the tenants, advise them they might run into difficulties with their landlords and ask them whether they really want to do that. There is also the possibility of the landlord taking action legally or illegally to force the tenant out of the building or taking action against him. Again, I will speak about that.

If we try to look at the landlord-tenant relationship as analogous to some extent with other domestic relationships, such as battered women, we can see that the way to deal with the problem is not to have the victim initiate the complaint. You do not have the victim take the case to the hearing or the court; you have the ministry take that responsibility. No longer is the tenant in the position of being the one who is to blame. The system now leaves it up to the tenant to come into conflict with the landlord.

I have a few quick comments on hearing procedures. I had a lot of problems with the previous system. Frankly, a lot of the Residential Tenancy Commission officials did not scrutinize the documents sufficiently. I certainly have some problems with whether an administrative review, given the complexities of law, will be able to scrutinize the documents sufficiently.

The comment has been made that you want to take out the adversarial nature of rent review hearings. If that is the case, I would be interested in knowing whether there are suggestions to do away with trials and all hearings in Ontario since trials and hearings are essentially adversarial in nature.

It is by an adversary process, when you have party adversarial interest in a fair and open hearing, that you have the best chance of coming to the truth of the matter as opposed to a situation where you may come down and talk with casually an administrator in an office who will then talk casually with the other party and then reach some decision that you may want to appeal. In this proposed system, in effect, an appeal is the only hearing.

I have provided a pile of material and this may give examples of some of the problems we have experienced. At the end of my submission, one document is an affidavit provided by the agent for a landlord in a rent review matter. The agent was the husband and wife who are the superintendents of the building.

In this affidavit, they state that the landlord has knowingly provided false information to the commission and given a number of documentations in terms of salaries they were supposed to be paid, how building supplies claimed for that one building were actually ordered by the landlord for a number of buildings and the landlord just submitted those receipts for that one building, contracts that supposedly were done but were not done, and amounts that were supposed to be paid but were not paid.

All this material is a sworn affidavit from the superintendent, who was the agent for the landlord in the rent review hearing. That material was provided to the Residential Tenancy Commission several months ago. We have been in touch with the commission for several months attempting to get a prosecution and yet it will not take action on this.

There may be complicated reasons for its not taking action, but it is not taking action on that. At the start of the hearing on this matter, the landlord admitted he had been charging illegal rents for a number of years.

The landlord had attempted to evict a number of tenants in that building who had been opposing his rent review application. Those tenants the landlord opposed are now gone from the building. They were not successfully thrown out through the court; they merely could not stand the aggravation. We went to court with one tenant three times about different attempts by the landlord to try to have him evicted. That same problem exists in the proposed legislation.

I have also provided two receipts, and a quick glance at those receipts will show that they are for invoice 064172 and invoice 064172 paid November 6, 1985, cheque 0128 and a little squiggle at the top. If one looks through it, the wording is exactly and precisely the same, the only difference being that the corner has been torn off the receipt that showed the figure of \$46.14 and a scribble in the amount of \$350 written in.

That receipt went through the rent review officer preliminary screening and was accepted, went through a hearing before a commissioner, was accepted, and it has gone to an appeal. We have spent half an hour at that appeal trying to persuade the appeal commissioners that those two documents are exactly and precisely the same. We are still waiting for the decision on that.

Mr. Reville: We will give you a decision right now.

Mr. Cassidy: Thank you. There are a number of other duplicate

receipts in the documents provided to the commission on that. We have been in touch with the Residential Tenancy Commission legal department on initiating prosecution. They have not taken any action.

We have advised the tenant to go ahead and lay the charges and, if necessary, we will go and take that action ourselves. The tenant who opposed the landlord's application for rent review was the superintendent of the building in that case. He has been fired from his job and has been evicted from the apartment.

The next material is reasons for an order. It is about five pages of reasons. I might have this out of sequence in my brief. There was an order of about five pages. We then did an appeal. We then got the reasons for the order.

In the reasons for the order, buried in paragraph 32, the commission mentioned in passing that the rents were illegal, that there had been an order for the premises in 1982, that the legal base rent was not what the landlord was claiming and that illegal rents had been charged for a number of years.

The tenants were not really properly notified of that by the commissioner at the hearing. It was left up to the tenants to find out whether they had been charged an illegal rent and whether they should take any action. I submit this is largely the same problem we are going to have with the proposed legislation.

We do have an order that did take place where two tenants in the building did take an application. Apparently they were some of the few tenants, as I understand it, who had been notified of illegal rents by a random spot check done by the ministry. Of course, they were left in the position of taking action themselves. They tried to mediate the matter. The landlord was not agreeable. They finally managed to obtain an order that they could get back their illegal rent of \$720. In that case, to the best of our knowledge, the landlord has been charging illegal rents to a number of tenants in that building for four years and does not have to pay that back.

15:00

Again, some of that same procedure will happen in the proposed legislation. The tenant may find out he has been charged illegal rent. He may take the action. He may succeed in getting an order to get back some illegal rent. None of the other tenants who occupied that unit or other tenants in the building will necessarily get back any rebate, and the minister will not take any action.

Our basic recommendations are that we would like to see the ministry enforce the system. We have a rent review system set up. It should not be an honour system; it should be up to the ministry to take action to find out whether rents charged are illegal or legal. If they find out rents being charged are illegal, then we can use analogies with highway traffic violations or whatever and they should take some action on that, at least order the landlords to pay back illegal rents or they should, if necessary and if warranted, prosecute. We would suggest a fair hearing procedure would be to have an actual hearing at the first step, and we suggest some sort of pre-trial or discovery procedure to allow you to explore the issues to find out what they are.

We suggest the idea of creation of a tenant advocate. I believe that was commented on before. Landlords, of course, can claim their fees for going to

rent review, or at least a certain amount, in terms of raising the rent. Tenants certainly cannot do that. I think tenants have a tremendous investment in the system and when you are weighing out the balance of interest, tenants are the ones who need some advocacy, who need some help. It is difficult for the clinics and the tenant groups to organize the whole province and do the job that we would consider the ministry should be doing.

We also suggest that there be more prosecutions where they are warranted. If the legislation is left, it is basically up to the landlord who wants to charge illegal rent. It is up to you. If you want to put any documentation in, you can try to get in to get whatever increase you can get. It is up to you. That is very bad. The ministry has to take some responsibility to enforce the system.

That is the view from a tenant advocate.

Mr. Chairman: Before we open it up, I wonder if Mr. Church could make a couple of comments on the enforcement plans of the ministry.

Mr. Church: Mr. Cassidy will be delighted to know we have seen the light and much of what he is recommending is what the Rent Review Advisory Committee recommended and it will be done.

In terms of enforcement, you made several other points about illegals and what not that are different, but in terms of the enforcement plans it is certainly the intention of the ministry, where it sees an indication of illegal rents, to enforce and to act actively to initiate the prosecution itself.

We are looking here at a situation in which where there has been a prior order, so we would have clear evidence of the illegality. We will and are compelled by the legislation to initiate the activity of rolling back the rent and ordering the rebates.

Second, where we have reasonable grounds, we may. The way we have set the administration in place, we have a significant force of compliance officers and we will be doing that. What we expect is that future illegals will essentially be stopped and stopped very quickly.

You have a point where the government departs from your point of view; that is with the justification of rents that may have been illegal in the past being used to justify rents when they come to rent review, which is another point you make. In terms of your central point on enforcement, you will be delighted to know that is precisely how we intend to proceed.

Mr. Cassidy: I am not sure. In the initial stage of the rent registry, for instance, my understanding is that a landlord will file the rent that was being charged as of July 1, 1985, which may have been an illegal rent.

Mr. Church: Right. If there is any indication that it is an illegal rent, the ministry will investigate of its own volition. It is compelled by law where we have a prior order that indicates it is illegal and we may--in other words, we will--establish an investigative procedure of our own volition to investigate that probable violation.

Mr. Cassidy: Can we expect that all landlords, or the vast majority of them, who filed and were charging illegal rents will be prosecuted?

Mr. Church: You can bet your bottom dollar that, certainly in the buildings where we have any evidence at all, we will pursue it and do it of our own volition. That leaves a problem, which has been talked about in this committee in the past, in the very small buildings where neither the landlord nor the tenants have any records. When you get down to two or three in a building, it is going to be a nightmare, but it is a nightmare we are, with open eyes and shuddering knees, taking on. We are making the undertaking that we will enforce on behalf of both tenant and landlord.

Mr. Jackson: Can I have that point clarified? Mr. Church referred to those buildings where there is evidence, and I think our deputant is asking, will all buildings, whether we know they have been charging illegal rents or not, come under the scrutiny of the ministry? That is the nub of what you are trying to get established. The response was, "Certainly, most of them." That was one phrase you used, and then you used the phrase "where there is evidence."

Mr. Church: They will all come under the scrutiny of the ministry without any exception. Any building that comes to register will be scrutinized under the law you have before you.

Mr. Jackson: Pardon me for interrupting. You are going to have an investigative process. There is no automatic certification or bill of clean health for a rent registry.

Mr. Church: There is one that is automatic, and that is where a current rent review order has been given and the registered rents are the same. That basically obviates the need to do any investigation. Where there is any time span between the date of registration and the last order, or where there is no prior order, then some inquiry is initiated.

Where there is any evidence of illegality--and it is the same kind of test of evidence that any investigative officer will use--various levels of investigation will take place. I am saying this to be completely clear that we are following the same kind of process that any investigative group follows. Where we see clear and wanton violation, we will move immediately without any difficulty, without any need perhaps, even to send notices to tenants. Although they will get the notices, that will not be the triggering device.

There will be cases where we will not have any evidence, and if the tenant does not write us a note or send something back saying that this is nonsense, we may miss them, but it will not be for lack of trying. The deputant was very concerned that we would not undertake those enforcements ourselves, and we are saying we will. Obviously, to the extent that the tenants can help us, we will do more; to the extent that the tenants are relatively happy, have been bought off or any of the other things that happen in a market that does not function exactly as we would like, it will make our job more difficult.

Ms. E. J. Smith: Mr. Cassidy, in the general tenor I had the sense that you were concerned that, because we are proposing more of a system where people are encouraged to come for assistance in a nonadvocacy way, there may be more opportunity for abuse. Recognizing as I do the need of the courts to be there, because everybody has the right to go to court in the end, at the early stages, in my riding at least, a tremendous number of people who phone up with regard to rent and rent increases now under the present law would be people in exactly the category you referred to, the people who cannot really afford to go to court, on the one hand, and yet probably are not entitled to legal aid on the other hand.

I see it as a tremendous advantage, especially for this group--many senior citizens, all kinds of people in that group--that there will be open advice and assistance for them short of the court system. I am interested in whether you just do not believe that these people will do that, or whether you see something in there that has a basic, inherent weakness that will not serve the people.

Mr. Cassidy: There are weaknesses. There are some comments in the guide to the act that talk about people dropping in and seeing the administrator who is handling the rent review matter, chatting with that person and getting information. That is the sort of sense I have of the hearing that is proposed, and I just do not know whether that is really possible if you take, say, your senior citizen constituent who gets a notice that the landlord wants to raise the rent 20 per cent, goes down and drops in at some office.

What is the commissioner going to say? Is he going to say, "Here we have the residential complex cost index, here we have the building operating cost index, and here we have the consumer price index and two thirds of a per cent." He is probably going to say, "I ought to strike more. Your landlord has made this application, and this is what the landlord has done. Do not worry about it."

15:10

Ms. E. J. Smith: Then that person deserves to be fired if that is all he does because, basically, he has a major responsibility to look at the rent, look at the reasons for it and make sure the person is protected. Once he makes the judgement that the rent increase is within the law, he should explain it to them, and explain their rights to appeal further.

Mr. Cassidy: I think it is hard to be in a position where you are trying to help both parties, and you are also the judge. It is like being a defence prosecutor and judge. What we have seen in some of this material, for instance, is that a landlord will submit painting bills. In the present system, you might have 50 or 100 pages of different receipts.

When we are involved in an appeal, we count them up and match with what the rent review officials have done. Sometimes we find their math is off; they have not counted. Sometimes we find they are a little generous, they will accept the estimates. They will say, "Oh, you do not have some bills for that unit but what do you think it was?" "Maybe about \$1,500." "Okay, we will allow \$1,500." It is very hard if you are in that role with the landlord, assisting the landlord in that application, to have the tenants come in and say to the tenants, "The landlord does not have a bill for this period, so you can question that because, legally, we should not allow the money because it is not justified." It is hard to play this role.

Ms. E. J. Smith: I guess I see the role as an informational one rather than a side-taking one. For instance, if you look at all of us here at the table as politicians, you will realize we represent both landlords and tenants in our ridings. I assume as a politician I have an obligation to look as objectively as possible at the law and at the person in front of me and say: "Hey, these are your rights. This is what the province has said and decided and these are the processes open to you."

I do not see myself at that point saying, "Today I am on your side because you are in my office, but tomorrow I am going to be on the other person's side because he will come to my office." I see myself as a provider of fair and open information.

Mr. Cassidy: I think it would be very hard for you to get involved in a rent review application.

Ms. E.J. Smith: Not a review, but this whole system, in my interpretation, is trying to avoid that final stage where you have confrontations.

Mr. Cassidy: I guess my problem is I see we have a decision made and that the person who makes it sits in judgement of whether the landlord gets the increase or not, or whatever other matter is before him. He is the one who is supposed to advise tenants of their rights as to whether they can possibly challenge or not. I think it is very difficult to do both of those roles. That is why I would like to see a separate tenant advocate office.

I have the experience with workers of ours in workers' compensation. I think that works very well. I think it is often necessary, if you are acting for a tenant or landlord, to be a little hardnosed, to go in there and say, "Are we entitled to claim these bills or not? Then we do that." But I have difficulty with somebody playing both roles.

Ms. E. J. Smith: Are you suggesting the government should provide advocates on both sides?

Mr. Cassidy: I would particularly favour tenant advocates. As I said earlier, landlords can have their rent review applications under the present system accepted as a part of the cost to some extent.

Ms. E. J. Smith: Not if you cannot put up your rent. I had trouble with the statement someone made that they pay it in the rent, because you cannot put the rents up to justify it. I did not argue with it at the time, but since rents are not flexible, it is not true.

Mr. Cassidy: There is in the order here, if I may, the one reference the commissioner made to allowing the line of the cost of rent review in accordance with the Rent Review Advisory Committee recommendations. I do not know if you have read the recommendations incorrectly or not.

Ms. E. J. Smith: Maybe Mr. Church can help me on the legal costs.

Mr. Church: We are again confusing the old system with the new one. Under the present system, your operating costs can increase by whatever you spend, although sometimes they are amortized if they are considered to be capital and you treat them as operating, but essentially you pass through your costs.

Under the new system, there is an operating allowance designed to do two things. One is to obviate the kinds of fraud the deputy referred to earlier. The other is to remove an incentive for hiring an expensive person to carry out a particular function and pass those costs through. The operating cost allowance is one of the more important measures to control the cost passed through.

Mr. Cordiano: I would like to comment. Following up on that, I think this issue was raised before with regard to the process that should or will be followed in having tenants and landlords come before a third party. That process would be established as a result of Bill 51. Perhaps you can make some brief comments for our deputant.

Mr. Church: Ms. Smith covered it pretty thoroughly in terms of the actual procedure. Clearly, it is recognized that under the old act the guidelines were imprecise and the amount of discretion available to the commissioners was very broad. The kinds of difficulties the deputant refers to are not a great surprise. Without commenting on any of the specific comments, they are not unlike a lot of comments we have heard on the complexities of managing an act that has such broad discretion.

Certainly, the intention of the act and the reason it goes into such exquisite detail on the orders the minister can make and the procedures that have to be laid down are to confine that judgement-making to a question of fact or fiction. This means that the evaluative process so important to the previous process becomes less important in this process. Here the finding of fact and, more significantly, the compelling of understanding becomes a big part of the job. You will now say: "Indeed, the fact of the matter is X. I am satisfied the fact is X. Now I would like you to understand how I came to that conclusion."

We hope that because the guidelines and the regulations will be so very specific, they will make it a more logical and understandable kind of process. There will be very little room for discretion about any individual point. Either cost passed through will be permitted or it will not, depending on prescribed circumstances.

Mr. Cordiano: There seems to be a notion that mediation will not work. Because it is before a third party, who obviously cannot take one side or another, there will be some sort of a tendency to do that.

Mr. Church: It is significant here that this is not a classical mediation situation. The deputant is quite right. In a classical mediation situation, it would be an extremely difficult job. To make a decision without the consent of the two parties is a tricky role to be in, although that is a model not unlike the one in Quebec where, if the two parties consent, after a mediating effort anything goes, or almost anything goes, in fairness to my colleagues in the east.

Mr. Taylor: What we have is no-fault justice.

Mr. Church: What we have here is a situation in which the administrator's job is to do two things. One is to interpret finely written rules to a particular case and the other is to explain to the two parties their rights and obligations and hope that they understand.

Mr. Chairman: Do you have a supplementary, Mr. Reville?

Mr. Reville: It is to the deputant on the same point. In terms of the administrative review procedure, is it not your concern that tenants will not find the rent review administrator to be truly accessible; that they may not have confidence in his impartiality; and that while the system looks wonderful in theory, in practice, they will not go and sit down and have the lovely, cosy chat over a cup of tea which is envisaged?

Mr. Cassidy: It is not so much that the administrator is not impartial but that the administrator is not partial; the administrator does not act for their interests. If I go into a hearing, I am going to scrutinize the documents and say, "According to procedural guideline R-19, you are not allowed to accept a proposal unless you have clear and decisive proof."

I am going to advocate and argue for my client. If somebody is acting for the landlord, he is going to do the same thing. The administrator is not supposed to be partial, and I do not think he is supposed to say: "You might have an argument here. You might be able to question these costs."

15:20

I have a great deal of difficulty in understanding the proposed act, I must say. There are a number of different categories under which a landlord can go for an increase. You get chronically depressed rents and all these other areas where you may be arguing about whether or not this building at 603 King Street East in Hamilton is similar to another building on Main Street. Obviously, the landlord would like to argue that his rent is too low. I think one study that has been made available says most landlords think their rents are chronically depressed. The landlord is going to say: "All the other buildings similar to mine are getting more rent than I am. I should get more money." If you are arguing for the tenant, you are going to say: "No. All the other buildings are much better. They are different in all these other ways."

How is the administrator going to do that? The administrator is the one who has to judge. How is the administrator going to say to the tenant, "If you look at the market studies down here and at these estimates and costs and conditions and work orders, you might find you have a good argument to make that it is not the same"? How is he then going to say to the landlord, "If you want to look at these arguments down here, you can make an argument the other way"?

That is like an accused person having a friendly chat with the judge and then having the judge make the decision, or the accused person and the witnesses or the plaintiff and the defendant in a civil matter having an informal chat and making a decision. You take away the advocacy, and I think that is very important to these things.

Mr. Jackson: I found Ms. Smith's illustration about the politicians at this table quite interesting. I had never been accused of being either informative or unbiased, but let us hope that analogy was helpful.

I think you understand the difference between advocacy and adversarial, but in the context of this bill we are getting the two words confused. Although the bill hopes to alleviate much of the adversarial nature of the process, that does not mean we should allow the advocacy aspects to evaporate. Quite clearly, that is the role you perform.

Prior to your arrival today, we asked and Mr. Peters responded to questions around the first two deputants with respect to a parallel type of advocacy information-providing service for the landlord. Clearly, there is a role for that if we are to protect the neutral position of the person employed by the government to implement the bill. We are seeing an unusual evolution here.

Can you respond now, having heard the evidence, to the question of whether you feel the bill should be modified to acknowledge the role of advocacy? I do not want to call on you for a judgement, but can you suggest ways in which the bill could be improved so it would do what you said it should do, namely, allow the government to take the monkey off the tenant's back and put it on the government's back, by saying, "Look, we want everything done in a court, according to Hoyle."

That is essentially the statement you made in your original presentation, but the bill falls short in that area. We are hearing that we may be swinging more to an advocacy system. How would you have us modify the bill so that it does what you hope it will do?

Mr. Cassidy: One example, if you are looking at a mediation example, is some form of pre-trial. I have been involved in mediations in small claims court before. I was a referee in small claims court. The plaintiff and defendant would come before me, in a case where I was sitting as the referee, and I would hear their arguments.

I might say to the landlord in a landlord and tenant matter: "You may have a problem. You have to prove this and that." I might say to the tenant: "You have a problem because the landlord does have some goods on you here. You can either work it out or you can end up going to a trial. If it goes to a trial, here are the problems you are going to have."

Mr. Jackson: Can I stop you there? Mr. Chairman, may I ask Mr. Church something? I thought that in the first week of the presentation of this bill we were told the first step in the process was somewhat similar to what Mr. Cassidy has just described. I am stretching it a bit, but can you tell me how that is going to work?

Mr. Church: At both stages, in fact, at the hearing at the appeal stage, there is a bona fide pre-hearing in which the--

Mr. Jackson: I do not want to talk about the appeal. I want to talk about the first discovery of an application, when the tenant first gets aroused to the notion, which is the point you are talking about, pre-trial, examination for discovery. That is the first step. What does this bill propose to do along those lines?

Mr. Church: It provides for all information relative to the application to be filed fairly promptly. If you want the actual period of days, we can get that for you.

Mr. Jackson: No. I remember those. With whom?

Mr. Church: With the administrative officer in the locality. The tenant, or the landlord if it is a tenant application, is then notified that the application and supporting documents have been filed and they may be examined for a period of 40 days, I believe.

Mr. Jackson: Can I stop you there? At any point in that process is there a medium by which both the landlord and tenant can be assembled in the presence of the administrative officer, or is it a one-way effort where they come in, examine the books and then off they go?

Mr. Church: Both. They can come in and examine the books and off they go, or if they feel the necessity or the administrative officer himself

feels the necessity, he can call a meeting. In large buildings and complex cases he will certainly call a meeting to have a prediscussion, a pre-hearing of the issues essentially, so he may understand them and so the two parties may understand them.

Mr. Jackson: I am sorry to interrupt you, but I want to understand this clearly. Is that in the regulations or is it in the bill?

Mr. Church: It is provided for in the bill and will be specifically laid out in both the regulations and the operating guidelines.

Mr. Jackson: Can you show me the section in the bill?

Mr. Church: Clause 29(1)(c).

Mr. Jackson: Can I now go back to Mr. Cassidy and ask him to continue? Are you getting a clearer picture of it?

Mr. Cassidy: I appreciate your questions and comments because I think it is helping me to say what I want to say. First, I think some sort of pre-trial would be okay, where the landlord presents the evidence for or the tenant presents the evidence for. I think there should be some assistance by some officer at that stage in the strengths and weaknesses; that is where you get some idea of making the decision about whether to go further.

The problem I have is that has to be almost mandatory. Then if the parties are not agreed and we are looking at a landlord with chronically depressed rents who says, "My rents are depressed; I want them up," and the tenants say, "No, they are not," you have the hearing in the basement of the church hall or wherever, and you can then say to the landlord and to the tenant: "This is the sort of evidence you will need. Go and get market surveys, go and get this, that and the other thing." The parties then know the issues to be narrowed, and then I think you need another hearing fairly clearly assured where the parties have to go and present their evidence and they will be judged. If I read you correctly, we are perhaps on the same line.

Mr. Jackson: If you would like to proceed, Mr. Cassidy, you gave that as one example of the way in which we could maintain some advocacy but really dismantle the adversarial nature of the process. I interrupted you when you were hot on pre-trial, the examination for discovery area. Is there another area where you feel the bill could be strengthened to follow along with your suggestion?

Mr. Cassidy: I made the suggestion of the tenant advocate. I do not know if you are particularly interested in pursuing that one.

Mr. Jackson: Institutionalized within the ministry?

Mr. Cassidy: Within the ministry or independent. If we are looking at someone playing an advisory role, that can be someone who plays the advisory role separate from the administrator who makes the decision. In workers' compensation the worker's adviser is under the Ministry of Labour, the same as the Workers' Compensation Board, but not the same chain of command; so you could have a tenant advocate or landlord advocate within the Ministry of Housing but not under that particular hearing section.

Mr. Taylor: Is that sort of a duty counsel?

Mr. Cassidy: Not necessarily a duty counsel. That might be an idea, but I am concerned that a tenant or someone be there who is familiar with the system, who can offer advice on their side and say: "Here is a point you might be able to pursue." There are various particular issues you might think of but it is not necessarily up to the administrator to say here is an issue you--

Mr. Taylor: Is this at the preliminary hearing stage or is it at the trial stage?

Mr. Cassidy: It could be done at both.

Mr. Taylor: There are really two different stages.

Mr. Cassidy: To use the example of the worker's adviser, what happens now is that someone will call and say he has a compensation claim; the worker's adviser may just give some advice or he may open up a file and represent him. You might have a tenant advocate who hears about a hearing, the tenant calls and he gives him quick advice, or he might actually consider that there is a need for representation, sit down and say: "You are dealing with a very serious issue. It is going to be fairly complicated. You are going to have to argue a lot of law if you are going to do well. It is best if I go in and make some arguments for you or with you."

15:30

Mr. Taylor: But you cannot get away from the adversarial nature of the--

Mr. Cassidy: But I have done pre-trial refereeing with lawyers. It is difficult in a lot of cases, but in some cases it does work--for instance, in trying to resolve landlord and tenant matters--because you can say clearly, "If you have not paid the rent, you are going to get evicted." The tenant knows that, the landlord knows that and the lawyers all know that. You can throw in your duty to mitigate losses and all those other things and you can have the people understand that. If you had a situation where a tenant advocate went in with a tenant and said, "We think the landlord has this problem," and maybe the landlord says, "You have this problem," you then get the issues narrowed down a bit. The referee or the mediator says--

Mr. Taylor: You become a housing czar.

Mr. Cassidy: No. My role is to assist the people in saying what the law is. I would sit down as a referee in a landlord and tenant matter and say to the tenant, "You are going to have a problem." I would say to the landlord, "You are going to have a problem, and if you want to resolve it"--

Mr. Taylor: They already know that.

Mr. Cassidy: But if you want to prove your case, I would say to the landlord, for instance: "You are claiming the tenant damaged the premises. Do you have any proof of that? If you want to prove that and you want to go to small claims court or district court, it is a good idea to have some proof." The tenant knows that if the landlord gets that proof, the tenant is really going to have a problem.

I am probably spending too much time explaining what could be done. My main problem is the idea that you have these informal chats. I was trying to read through the guide in here about how that is to operate, and it struck me

in reading through it that it was a fairly casual procedure where you could drop in and chat with somebody about whether or not the case would succeed, or the tenant could find out whether or not it would succeed, and then a decision would come out. That just does not strike me as fair. You do not have anybody speaking for you or have everything explained fairly.

Mr. Jackson: This is my final question, and I thank you because you have been very helpful. I am going to make a statement, and I would like you to comment on it. I am trying to get a sense of where you are coming from.

Is it a concern to you that under the legislation we now have, it is more difficult on the one hand for a landlord to get an increase in a sense, but also the burden of proof rests a fair bit on the tenant--that is basically a characterization of the current system--yet under Bill 51 we may be faced with a system that might lead to more rent increases being inevitable, but the process for screening and tabulating them would be more open, clearer and therefore more defensible? Without putting a value on whether it is good or bad to have the thing increase, it will have that net effect. Do you share that observation?

Mr. Cassidy: No. I do not think most tenants will see the rent increase procedure as being fair.

Mr. Jackson: I am not asking for value. I am asking for conclusions that the process will ultimately end up. You have a very in-depth knowledge of the financial workings of the current legislation and a fair insight into the financial workings of this bill.

Mr. Cassidy: Are you asking whether I think this system will give fair rent increases? Is that the question?

Mr. Jackson: Yes. That is another way of stating it, because you have some doubts about the manner in which some rent increases went through under the current legislation. You do not think we are going to see unfair increases go through under the new bill in the sense that they will not be documented properly, that there will be some skulduggery on the part of the landlords or misinterpretation on the part of the reviewing officers. But the net effect will be increases in rents according to this formula.

There is more of a sense of inevitability about Bill 51 than there is about the current legislation. That strikes at the heart of your role as an advocate, because you are advocating on less of a base under the new bill. There are fewer options for you in which to advocate or help with an advantage or a fairness for the tenants you are fighting for. There is no room to manoeuvre under the current bill, rightly or wrongly.

Mr. Cassidy: I think that is fair.

Mr. Jackson: I am trying to get a sense of that.

Mr. Cassidy: The problem, though, is that this sense of inevitability leads to a sense of unfairness.

Mr. Jackson: Oh, yes. The media are reporting that, and we are hearing that from tenant groups, but as a tenant advocate with a legal background, you are in a unique situation to provide some insights into process. You actually bring a little more objectivity to the table than the other groups have done. It is very much appreciated. That is why I have taken

the time to dwell on this deputation. I thank you, Mr. Chairman, for your indulgence.

Mr.-Reville: I know we have spent a long time on this deputation, but I am concerned that it is getting more rather than less muddled as each member of the committee tries to put words in your mouth and determine what you are actually saying.

All the talk about discovery, preliminary hearing, trial, pre-trial and what not might be muddying the issue. In fact, what we are talking about is a nonlegal, nonjudicial process entirely, in which the things the administrator does are permissive, not mandatory. He can hold meetings but he is not required to.

I wonder whether your concern is that when the administrator's decision comes out at the end of the time period, the tenants will not be any the wiser about why the decision is the way it is.

Mr. Cassidy: I hate to be in a position of agreeing with everybody who asks me a question, but that is also fair comment.

My first concern is whether the landlords will actually go to rent review or do this application as to whether they will be legal or illegal rents. When it comes down to the application going through the process, the sense the tenants have is that there is little they can do about it in the sense of any hearing or any chance to express their concerns, which may be a very narrow area they can argue on, a more legalistic area rather than counting the paintbrushes used. Tenants and tenant advocates have a feeling there is less you can do.

To answer your comment, all this is permissive. Am I going to have to be in a position where I go down with a tenant and demand from an administrator that there be an actual hearing? I know the administrator can do it. I just have my doubts about how many times there actually will be that sort of hearing, or if there is pre-trial or discovery, how many times they will be there without having to go down--

Mr. Reville: You should not use those expressions, because that is not contemplated. What is contemplated is that if the landlord wants an increase above the guideline, he must make an application to a rent review administrator at least 90 days before the rent increase will take effect. During a 40-day period, tenants have an opportunity to examine the details of this application. They may or may not examine it. These meetings may or may not take place. Some tenant is going to have to say, "Let us have a meeting," before a meeting takes place. In fact, a meeting may not take place. The rent review administrator may issue a decision without any meeting having taken place.

Mr. Cassidy: Perhaps I picked it up from the previous member's question. My sense of where the discussion was heading was that the idea was that there should be some sort of meeting almost regularly in a substantial proportion of cases, the sense that there should be some sort of meeting that would operate somewhat equivalently to pre-trial or discovery with the idea that if that does not resolve the matter, there would then be an actual--

Mr. Reville: If that is the desired effect or object, I do not think it is contemplated by this bill, although we are operating at a bit of disadvantage because we have not seen the regulations and there are some

government amendments coming up. That might be what is in Mr. Jackson's mind, but it is clearly not in the bill. If that is something you want to recommend to us, it would be useful for us to know that. It runs counter to the thrust of the government's policy on this matter. They are trying to create an "all tenants and landlords holding hands in a circle" attitude.

Mr. Cassidy: My starting recommendation is that there actually be hearing. That is absolutely essential. I have a problem with the idea of an administrative review. Responding to questions about how we can have a fair hearing, it would be some process of pre-trial and discovery. That is one of the reasons I cannot support the bill as it stands, in that it essentially does away with the right to a hearing.

15:40

Mr. Reville: No. If somebody wants a hearing after the administrative review is finished, then a hearing happens.

Mr. Cassidy: It may happen is my understanding.

Mr. Reville: No. It must happen. If I am receiving the decision and a tenant is then mobilized to want a hearing, then a hearing will happen.

Mr. Cassidy: I am sorry; that means on appeals. There is a difference between a hearing and an appeal. The way the system works now is that you have a hearing and you have an appeal. This system does away with the hearing and substitutes an administrative review. In my sense, you casually chat with an administrator who makes a decision, and if you do not like that you can appeal, with all the difficulties involved in an appeal.

Mr. Reville: That is right. The formal hearing takes place at the appeal stage in what is being recommended.

Mr. Cassidy: There is no hearing; there is only an appeal from an administrative decision.

Mr. Reville: That is right.

Mr. Church: Perhaps we could answer, Mr. Reville. This is a minor correction that took place.

Mr. Reville: I think you are quibbling, though.

Mr. Church: No. It is a fairly major point from the deputant's point of view.

The hearing at the new body is a hearing de novo to which there is an unfettered right. The effort that is made in advance is being viewed by some people as an elaborate pre-hearing, by others as the stalwart strength of the system. Regardless of which school of legal thought you come from, there is an unfettered right to a Statutory Powers Procedure Act hearing de novo. I think that came from the Rent Review Advisory Committee. As you may recall, the government's original policies did not include that. It had a number of fetters on that right, and the RRAC members strongly advised the government to take those fetters off. That is the most significant thing.

Mr. Reville: It is true that the hearing de novo, as you call it, can occur only after somebody has made a decision at an administrative review.

Mr. Church: No, not only; it can be referred directly there under some circumstances, but normally it will be only after an administrative review process.

Mr. Reville: I think what we were trying to do at this stage was to talk about the efficacy of the administrative review. As you can see, everybody has a different view about what its efficacy is.

Mr. Cassidy: I have the guide to the proposed Residential Rent Regulation Act. On page 29, it talks about the administrator and the access to information. On page 30 it clearly states, "The administrator is not required to hold a formal hearing...before rendering a decision." I think the member was saying that, once that decision has been reached, there is a right to a hearing, which is actually an appeal from that decision.

Mr. Church: It is not normally an appeal. If you want to equate it, it is not unlike the assessment process where an assessor reaches a conclusion about the value and an individual is notified of that conclusion and has an opportunity to appeal it. However, it is not legally an appeal.

In fact, he is applying for a hearing on the same matter that was administratively discussed. That equates it to a pre-hearing process, but because it is so complex and because, in the government's view, feelings are running so high on this issue, something a little more elaborate was required than a discussion between representatives of the party. That led to the RRAC recommending that the administrative review process be provided.

It was very important to RRAC that there be an unfettered right of appeal. It objected strenuously to the government's original proposals, to which you also would obviously object strongly, which required a percentage of tenants to want an appeal before it was launched.

What we are calling an appeal in these discussions is a new hearing based on an administrative decision, on which there is a full new hearing held on the request of any party, and that can be appealed in a number of the courts.

Mr. Cassidy: The member was asking what my recommendations and feelings were. My sense is that it is not acceptable to myself and the other 10 advocates because of dispensing with that formal hearing. Our recommendations would be that when the landlord applies there should be a hearing with a right to appeal, and then, in terms of the questions that were asked before on how you would carry out that hearing, you would allow some sort of advocacy without necessarily being adversarial.

It may seem I am building boxes upon boxes, but before that hearing you could have a pre-trial hearing where they could sit down and narrow the issues. The steps would be that the landlord applies or a tenant applies, there is a pre-trial, discovery, or some sort of "Let us look at what we have and what applies," the parties go away and then there is an actual hearing in which, presumably, the issues are very narrow--this is my scenario--and a decision is reached that one hopes the parties will be happy with. If they are not, then you are very clear on why you are not happy and you can then go to an appeal. That is the system I would recommend as opposed to what I see now as an administrative decision with only one real hearing, which is the appeal.

Mr. Chairman: Mr. Church, there are a number of lawyers on the committee. For their benefit, perhaps you could explain the expression "de novo."

Mr. Church: With a number of lawyers on the committee, that makes me nervous. It is a new hearing in which the evidence that may be produced pertains to the application, not necessarily to any evidence that was adduced at the first process.

Mr. Chairman: Mr. Hennessy was next.

Mr. Reville: I had not quite finished.

Mr. Chairman: I am sorry, Mr. Reville.

Mr. Reville: Unless Mr. Cordiano had a supplementary.

Mr. Cordiano: Very briefly, I would just refer back to page 29. The deputant has referred to that. It was my understanding that the administrator had an opportunity to hear from the tenants. I infer from that that in the majority of cases the administrator, unless it was clear to him, would actually hear from the tenants and, in effect, would hear evidence from the tenants such that he could bring both sides together.

Mr. Church: In the vast majority of instances, we are going to be talking about very small buildings. Keep in mind--I know this is difficult given the people the committee is hearing from--that the average number of rental units per rental building is three in Ontario. Toronto and Hamilton are not the norm, and even in Toronto and Hamilton with the big buildings, the big problem areas are not the norm. We have to have a system that accommodates those little buildings as well as a system that accommodates the big buildings. By necessity, there will have to be an administrative procedure in place.

Obviously, in any big buildings there will automatically be a procedure of scheduling a hearing wherever the matters before them are at all in doubt or if there is any question. But in a small building, where perhaps the landlord has brought in a statement signed by everybody, it is quite feasible that it may be easier, cheaper and less threatening simply to phone all the tenants and talk to them. That is a distinct possibility. Alternatively, it may be very possible that the landlord will ask the administrative review officer to be present in the building at a time when he has asked the tenants in--and this is where the "cup of tea" allusion came from--and talk about it there.

As a Rent Review Advisory Committee or as the government, we do not want to put any impediments to rational ways to solve the problem as long as nobody's rights are abused.

Mr. Cordiano: Certainly, the administrator is taking an active position when he is looking into a particular case.

Mr. Church: There is no question that an administrator will be judged in terms of his performance on the basis of the degree to which he makes an effort to determine that everybody has had an opportunity to say his piece and to understand the evidence in front of him.

Mr. Reville: Be that as it may, it is still permissive. Under the legislation, the administrator does not have to have a meeting.

I have been involved in situations under the old system where there is a hearing before the Residential Tenancy Commission, which may involve 500 tenants who are represented. The number of tenants who really know what is going on is about six out of the 500, because it is complicated and the process is not particularly user friendly. In this case, I cannot imagine 500 tenants dropping in for a cup of tea with the administrator. It is not going to happen. What they learn from the meeting may also be fairly minuscule, given all the input.

I have a couple of other questions. In your experience, is it usual for a commissioner to call boiler cleaning a capital cost, as is indicated in this list of capital expenditures?

Mr. Church: I could not comment specifically about whether a boiler cleaning is a capital cost. That is certainly something to be argued about. Commissioners may well do that quite often.

Mr. Reville: In terms of your notion of a tenant advocate, would you give some thought to how that might be delivered and let us know? One of the ways you could deliver it would be through the community legal clinic process, but you would have to deal with the problem of particular groups of tenants not being really eligible because of their incomes. To whom would they turn in that case? You might reflect on how we could deliver specific tenant advocacy, maybe as an adjunct of the community legal movement, or complementary to or included in it.

15:50

Mr. Cassidy: I think all the clinics that can do it are doing whatever tenant advocacy they can. I am suggesting there is a need for something separate from the clinics or other organizations, something perhaps funded by the government through the ministry. I am prepared to consider that and make submissions to you if you wish.

Mr. Hennessy: First, thank you for appearing, Mr. Cassidy. You have been very informative. My question is, do tenants have great difficulty in getting repairs done?

Mr. Cassidy: Being a tenants advocate, I will say a fair number of tenants do, yes. I do not know if all tenants do.

Mr. Hennessy: There is one tenant who does.

Mr. Cassidy: Okay.

Mr. Hennessy: They have 15 excuses. They have to go through so much red tape; you would think they had to go to Mars to get approval. Is the other side of the fence making it very difficult for people to get painting or repairs done to their apartments? Do you get many complaints of that nature?

Mr. Cassidy: One area of law we deal with is under the Landlord and Tenant Act, where we will have tenants complaining about lack of repairs. When it comes to rent review specifically, my own policy is to tell tenants they may have to pay for repairs. I recognize that if landlords do work they have to be compensated to some extent.

Mr. Hennessy: Do you say they will have to pay for painting the apartment or do it themselves?

Mr. Cassidy: It depends on when it is done. Some landlords will paint the apartment every time a tenant moves out, which may be excessive. I would have some doubts. I have been concerned about tenants being charged for that cost. We run across that a fair number of times. A tenant living in a building will be told the rent is so much, and then he is going to have to pay for painting the apartment; he or she individually is going to have to pay for that. I have some problems with that happening.

Mr. Hennessy: How about other repairs in the apartment, say, the towel racks?

Mr. Cassidy: The overall responsibility for the repair and maintenance of the apartment rests with the landlord. Minor things that might happen, such as lightbulbs or towel racks, can well be the tenant's responsibility. I would have to be worrying about \$5 here and there.

Mr. Hennessy: If you do not have \$5, it is a lot of money.

Mr. Cassidy: Yes, but in terms of what is in front of this committee, I do not see too many hearings going on arguing about whether there is a \$5-towel rack or that it should go for the landlord or tenant. You might have a situation where landlords are claiming they have installed all new bathroom fixtures. I have certainly run across that. They may have spent \$10,000, \$20,000 or \$50,000 on bathrooms, and they certainly then get arguments about whether that was done for the price claimed, was necessary or whatever else.

Ms. E. J. Smith: Do you actually believe that in every case of a rent decision there should be a hearing, even if there is no objection or if there is an understanding between the two sides?

Mr. Cassidy: If a pre-trial procedure such as I envision in my utopian mind were to occur and the parties were basically satisfied and there did not seem to be a need to go for a hearing, you could probably have--

Ms. E. J. Smith: But your use of the word "pre-trial" already suggests advocacy and hearings in another way.

Mr. Cassidy: In various civil matters you might have a pre-trial and then you agree that the matter will be withdrawn. I have done that in mediating landlord and tenant matters. You file a document, both parties agree and then it goes in front of a judge who basically stamps it. The judge will look at it, and if there are problems, he will send it back.

Ms. E. J. Smith: Given that is how you feel--and I feel it is a little extreme--given that we agree, for the moment at least, to disagree on whether it is always necessary in small apartments, smaller communities and so forth, my chief concern is that we have a major section on appeals and it states very clearly that everybody has a right to a hearing, etc. If one does not always have a hearing, do you feel that in that context the act protects the rights of the individual to his hearings and so on? Given the other context we are in, is there any section that you suggest does not recognize the rights of the people, or is your concern that people will not know what their rights are?

Mr. Cassidy: When we are talking about an appeal, I guess to some degree it is a matter of how much it is a hearing de novo right from scratch

and how much, as I understand in the act, the issues will be confined to those that were addressed at the original application and how much you can open it up.

Mr. Church: To clarify, the parties can agree to limit the grounds. If the parties do not agree to limit the grounds and the tenant applies for a hearing de novo, that is what he gets.

Mr. Cassidy: My concern is--and I confess quite frankly I have some problem understanding this--how much you can open it up. Let us say you always start off with the landlord being the one applying. The landlord puts in certain items he is claiming in certain areas, fees and financial costs, chronically depressed rents or whatever other things. Perhaps you have some sort of partial building review where the landlord is claiming six tenants want air-conditioning. All those things come in. One thing I am still not sure of is to what extent the tenants can then bring in other matters and say, for instance: "These costs may have gone up, or you may have these problems. In other cases, they have gone down and, overall, your property does not justify an increase." I do not expect that can be done under this legislation.

Ms. E.-J. Smith: Assuming he has come for an increase, all the documents are open for inspection. In the case you are talking about, it is the landlord's petition, so everything is open for inspection.

Mr. Cassidy: My understanding of the legislation--I certainly stand to be corrected on this because I do not know--is that the idea is to narrow it down. Under the present rent review, for instance, the landlord would have to submit a cost revenue statement for all categories--maintenance, repairs, capital expenditures, financing costs, etc.

Ms. E.-J. Smith: Getting away from the details.

Mr. Cassidy: As I understand it, under the new system a landlord can make the application deal with only certain categories of expenses--financial loss, for example. He can make an application for relief on the basis of chronically depressed rents or whatever, and you would not necessarily be looking at all the expenses of the landlord. You would not be looking at all the costs to the landlord. To some extent, you would be looking only at what the landlord has put in. Of the 20-odd categories, you would be looking at whatever the landlord chooses, two or three categories, or the landlord could choose one area in which to make the application.

The tenants cannot necessarily go in and say, "Your superintendent's costs may have gone up and, therefore, you may be justified by the residential complex cost index, building operating cost index or whatever else to an increase based on labour costs, but your other costs have gone down." Let us say the taxes have gone down. We happen to have a good council in London that lowers the taxes. Your taxes have gone down, so your overall costs are not so high. You are not justified in an increase. My understanding--and I stand to be corrected--is that under the new system you would deal with only the one area that is put in front of the administrators.

Mr. Church: It is with great trepidation that I contradict a member of the bar on these points, but that is not the way it is set up. Actually, it is not with much trepidation at all. I rather enjoy it.

Mr. Cassidy: You enjoyed it.

Mr. Church: There are certain circumstances in which a limited amount of evidence is brought to bear, but they are the exceptions rather than the rule. For example, if the landlord wants to apply for any operating cost increase, all his operating cost increases are open to inspection. In your example of the superintendent and the taxes, they would be open to inspection. However, when the landlord is satisfied that his operating costs have moved to about the norm, he does not have to apply for an operating cost increase. In that case, movement within his operating costs is not germane. There is an allowance that covers it. It is rough justice and it will apply to both parties.

16:00

In the case of a financial loss or where a chronically depressed rent application is being made, clearly the burden of proof on the landlord is simply to prove his financial situation. If he is not applying for changes in rents because of any change in his costs, there would not be an examination of costs.

In both instances here, we are talking about a relatively small number of cases. In the vast majority of cases, virtually anything the tenant wants to put on the table relative to costs can be put on the table whenever a landlord applies. Given that we are expecting that chronically depressed rents will apply to two per cent or three per cent of the population, then in virtually every case, with those exceptions, it will be an open slate.

Mr. Cassidy: The question we started off asking, and maybe we should pass over it, concerned appeals and how they would be dealt with, whether a tenant could open up and address other issues that were not dealt with at an administrative level.

Mr. Church: If the committee wishes to explore this area, we can have one of the solicitors come in to go into it in some detail. The Rent Review Advisory Committee, which included a frighteningly large number of lawyers, spent a great period of time in one of its subcommittees, the appeal subcommittee, sorting through those very issues from the point of view of when and how issues can be raised.

The essential doctrine is that the issue be relevant to the rent review application; in other words, where there is a cost increase represented or a cost decrease represented, the other parties will have full and unfettered right either to counter those claims or to bring in other claims that affect the base rent. I know that kind of generalization is not satisfactory for launching an appeal, but that is the basic framework. The actual rules RRAC has proposed to the governments are worked out, and we would be happy to have someone come to the committee to lay those out, if the committee so wishes.

Mr. Chairman: At some other time perhaps. We thank you very much for appearing before us this afternoon. You have obviously stimulated a great deal of discussion among the members. We appreciate your presentation.

The next presentation is from the Scarborough Community Legal Services. Is Ayesha Agjee here?

Ms. Agjee: I have with me Jean Hyndman, who is the staff lawyer.

Mr. Chairman: Welcome to the committee. Did you have a written presentation ahead of time? We do not have it as an exhibit.

Ms. Hyndman: No, we do not. What we have in writing is not in a form I would like to give you.

Mr. Chairman: Okay. Please go ahead when you are ready.

SCARBOROUGH COMMUNITY LEGAL SERVICES

Ms. Hyndman: I am Jean Hyndman. I am the staff lawyer at Scarborough Community Legal Services. Ayesha Agjee works with me in landlord and tenant work. She is a community legal worker.

In the course of our work, which is entirely landlord and tenant work, we have developed some expertise in the area of rent review and have a fairly good grasp of the problems our clients have encountered at rent review. I have done a fairly extensive analysis of how Bill 51 will affect our clients, particularly in terms I wish to address today, how it will not alleviate problems under the present system and the extent to which it will create new ones.

Some of our clients have already appeared before this committee and have voiced their concerns in a way only they can. They are the people who live in situations of poor maintenance and who are hit with very large rent increases of upwards of 30 per cent to 40 per cent without benefiting in any way from the costs the landlord has incurred. If a new landlord buys the building, the tenants can be faced with increases. Now at least, there is a five per cent cap on the increase per year, but still, it is five per cent in addition to any capital expenditures the landlord may make or other increases in operating costs.

Tenants may also face large increases when mortgage rates go up, which again do not benefit them. They are very often faced with large increases for capital expenditures which they did not particularly want and about which they were not consulted.

I am going into the specifics of the bill and, basically, I am going to follow through the sections that are of concern to us. First of all, to begin on a positive note, we are happy to see that all buildings are now included under rent review; the post-1976 buildings having been brought in, although we are not particularly happy with the special treatment accorded to post-1976 buildings.

This is a client group we have not worked with a lot because, of course, these tenants cannot challenge rent increases. They have to pay whatever the landlords demand. We have heard from this particular group in the last few months because people foolishly believed that after December 1985 they were going to get only a four per cent increase this year. We have been constantly breaking the bad news to them, saying: "You might get only a four per cent increase but that is unlikely because the landlord can go to rent review and try to pass through the increases that he has already given you."

In many cases, they have tried to give them very large increases since December 1985 in anticipation of being brought in under the new legislation and a lot of these tenants are really caught between a rock and a hard place. They are faced with up to 20 or 30 per cent rent increases and there is no place they can move. Therefore, although they cannot afford the increased rents, they are forced to pay them. A lot of these people are senior citizens or older people who have sold their homes and moved into apartment buildings after the children grew up. They are living on modest pension incomes and are

perhaps dipping into whatever capital they got from their homes--and they are seeing that evaporate at an alarming rate.

Bill 51 treats post-1976 buildings so that it protects tenants from things such as more than one rent increase in a year and, at least, it requires the landlord to justify his costs to some extent, but in our submission it makes very generous concessions to the landlord which mean the rents in these buildings will still be unaffordable for a lot of people.

First, in our submission, the guarantees with respect to rate of return in new buildings is unjustified. Historically, landlords have always taken some time to build an operating profit pool. When you build a building, you expect it is going to take some time to start earning money for you. In fact, the legislation recognizes that in terms of the purchase of a building. The most the landlord can get is to be brought up to break even in terms of passing through financing costs. I question why construction should be treated any differently.

Second, the special treatment accorded to these buildings is based on a fallacy that rent review has caused a halt in construction. In 1975, the vacancy rate was already dangerously low. Although it has declined somewhat, it has been a fairly minor decline since that time. It was because of the very low vacancy rate that landlords were able to start raising rents, up to doubling rents, and it was required that rent controls be brought in to give some protection to tenants. Therefore, rent review is a consequence and not the cause of the decline in construction.

Construction costs themselves had escalated to the point where it was not profitable for landlords to build buildings because they could not rent them at rates they needed to charge. That has not changed. Construction costs are still astronomical. Developers are telling us that they rent a unit for a minimum of \$800 a month in order to make building it profitable. None of our clients can afford \$800 a month.

To compare the rate of return on a building with the rate of return on other sorts of investment ignores the fact that the value of the asset itself increases, which is commonly known as leverage. A landlord is required to invest only 15 per cent of his own money. The tenants then proceed to buy the rest of the building for him. Therefore, he may start with a \$1-million building that he puts up, he invests \$150,000 of his own money, and then as the mortgage is paid off there is the transfer of money from the tenants in the form of rent to the mortgage company. At the end of the mortgage period, he now owns a \$1-million building having invested only \$150,000 to begin with, which is very different from the situation of investing in bonds or stocks where the value, particularly with bonds, does not increase over time. You get back your initial investment plus the interest rate.

16:10

It also ignores the fact that landlords get significant tax relief for their losses in the early years of ownership. Owning a building is attractive to a multifaceted businessman because this is something he can write off against his other businesses where he is making substantial profits and he can avoid paying as much taxes as he otherwise would.

Finally, our concern is that because the market would not bear the rents that landlords could theoretically charge, this would allow for economic evictions. If a particular tenant becomes a sore spot for a landlord because

of his demands for maintenance or because he is trying to organize a tenant association or whatever, the landlord simply tells him his rent will be increased to the maximum legal rent that has been set for that property and then evict him on that basis. That is a lot easier to do than taking him to court for any of the other reasons under the Landlord and Tenant Act.

It is, therefore, our recommendation that the post-1976 buildings be treated exactly the same as pre-1976 buildings.

Another concern of ours is the exemption section in clause 4(1)(a). The predecessor section of the Residential Tenancies Act exempted transient living accommodation provided in a hotel, motel, inn, tourist home, hostel or other similar accommodation. First, we are quite happy to see the "or other similar accommodation" removed from the section because that has been quite increasingly used by landlords to try to avoid coverage under the act.

Ms. Agjee and I are now involved in an application to the Residential Tenancy Commission to exempt units on the basis that they are hotel-like. Basically, they have furnished them and tried to rent to short-term tenants. They claim that this makes them transient accommodation. The secondary argument is that they are not tenants but licensees.

Very few of these applications have been successful. I am aware of only one that was and that was probably really an inn, although I am only familiar with it to the extent to which it was reported in the RTC significant decisions. However, the problem remains that the landlords just continue to behave as though they were exempt or they never go to rent review to get the exemption. They just start renting it to short-term tenants or licensees, as they call them, and charge above the maximum legal rents that were previously established or above the guideline increases that they could otherwise have taken.

To the extent that they are successful in renting to short-term tenants who are there for only a couple of months, whether they are exempt or not is really quite irrelevant because these are not the sort of people who tend to make applications for rent rebates. They are often foreign students or newly arrived immigrants who do not speak the language. They do not have any idea about what our laws are and what their rights are. To that extent, whether they are exempt or not, they are still able to charge rents or guest fees, as they call them, as though they were.

In this regard, our recommendation is that clause 4(1)(a) should be made more clear and unambiguous so that it exempts only those facilities that we clearly want to exempt. My suggestion for wording is that it be facilities licensed under the Tourism Act as a hotel, motel, inn, tourist home or hostel which would exempt vacation properties, which, I think we can all agree, we do not want to attract the coverage of rent review.

People who are staying for only a couple of months because they find another, better and cheaper place, which is quite often the reason, or for whatever other reason, are the people we want to protect.

I recommend that consideration also be given to saying specifically in section 2, where there is an agreement for the occupancy of a rental unit as defined, that the relationship shall be considered to be that of landlord and tenant, not that of licensee and licensor, to get away from that argument.

Finally, and most important, there should be significant, substantial

penalties for deeming yourself to be exempt. Otherwise, the first two recommendations I made would still not alleviate the problem. If they are caught claiming an exemption to which they are not entitled, all they have to do is pay back the money they should not have taken in the first place. That hardly encourages them not to do it again. It is very important that we have substantial penalties there.

The other concern with respect to that section is the addition of suite hotels. I understand "suite hotel" is to be defined in the regulations. Do you have a definition in the regulations?

Mr. Church: Not yet. I believe that is one the committee has already requested and it will be tabled in due course.

Ms. Hyndman: I would like to see it defined in as restrictive a manner as possible so that only genuine tourist establishments are exempt and it does not catch the quasi-hotels that have made little more than cosmetic changes in order to get an exemption.

Ms. Agjee is going to speak about the maintenance provisions of the act.

Ms. Agjee: I have been a community legal worker in Scarborough since 1981. My comments today arise from my experience during that time as a tenant advocate at rent review and as a tenant organizer. I will speak about maintenance. As a tenant organizer, it is usually a desperate call about what to do about the maintenance in a building that brings me out to a building.

My experience in Scarborough has been that when tenants go to rent review the single most frustrating area for them is the area of maintenance. In the minds of tenants, there is a logical connection. If they know nothing about the law, they understand that they should see something tangible for what they are paying. In our minds, there ought to be a direct connection between what tenants pay, the rent increases they receive and the maintenance and the quality of the building in which they live.

Under the present system, we all know the section of the Residential Tenancies Act that speaks to a consideration on an improvement or deterioration in standard of maintenance has been totally ineffectual. It is a failure. In only one instance in five years did I have consideration given to that section in favour of tenants. It was an instance in which I had to obtain two property standards inspectors after months of persuading them that we needed them. We finally had to issue a summons of witness to have them there.

It was a building on which there was incredible historical documentation that there was a deterioration in the past 12 months such as the commission wants to see. That was one building in five years and, certainly in 1981 and 1982, Scarborough Community Legal Services was doing an average of 2.5 hearings a month, although that has subsequently declined. That is the area that poses the most problems for tenants.

I have low-income tenants who say, "I do not mind paying something for it if I can see something for it." The common areas may be improved in the month prior to the rent review application with no corresponding improvement within the suites. Tenants do want to see those common areas improved. Often their homes are their pride. They do not have a problem having guests in their homes, but they have a problem having their guests coming through the common areas. When those areas are attended to, it is an improvement. Then in the years when a landlord goes to rent review, there is that total neglect of the increased work.

In the past three years, I have found there has been little or no attention to work within a unit, whether it is a leaky ceiling on the sixth floor of a six-floor building or whether it is a minor towel rack. Tenants do not care about the towel rack and they do not care about leaking taps. What they care about are major deficiencies in a unit, the mice and cockroach infestation, the major plaster disrepair, the flooding problems and so on.

Bill 51 goes some extent to recognizing there is this connection between the two, but it certainly does not go far enough.

16:20

Section 14 establishes a Residential Rental Standards Board and we are pleased to see provincial standards. There are many municipalities in this province which have no property standards bylaws. I can only guess what happens to tenants who live in those municipalities.

In Scarborough, we have a strong lobby and we fought for improvements in the property standards bylaws. We were able to obtain an increase from six inspectors to nine and a half inspectors today. It is not much of an improvement for a city of that size, but it took a year of lobbying. With a change of council, all that is gone. A lot of it was council policy that directed the department to do in-suite inspections.

We are pleased to see provincial standards. However, the board is very vague about when the standards would be introduced. We certainly wish to see them introduced prior to the first increase that would take effect under this bill.

We also have no indication in the bill as to how lax or how stringent these standards will be. Again, our experience in Scarborough was that the bylaws were there but a close scrutiny in late 1981 and early 1982 showed us all the major gaps. It took a lot of hard work to close some of them.

Section 15 caused me and my clients some concern at the public meetings we held in Scarborough on this bill. Tenants were pleased that maintenance was addressed in some fashion but extremely displeased that the government took away with the other hand what it gave.

That is, when a landlord makes an application, the wide discretion for the minister to proceed with that application if the landlord can show that the reason for the disrepair was beyond his control or for any other reason. The comments I have heard is that this is outrageous. It has been bad enough under the present system and we do not see any improvement under Bill 51 in that respect. So there is certainly wide-open discretion there. We believe there should be amendments to that section.

I will speak now to some specific recommendations in the area of maintenance. I could go on for days on maintenance in Scarborough, but I will simply address the recommendations we have in this area. The first is that clause 14(2)(a) be amended so that the minimum provincial standards be developed before the first rent increase covered by the bill.

The second recommendation we have is that section 14 be amended to allow that the Residential Rental Standards Board be required to provide provincial inspectors to inspect in areas where municipalities refuse, neglect or decline to do so.

It took a fight that brought on the political will in Scarborough. The election of 1984 changed all of that for us. It means starting again with a new council and ensuring a new political will to direct departments. We need to have backups to that. We need to ensure that the province provides inspectors.

The third recommendation is that subsection 15(1) be amended so that either the minimum provincial standards developed by the board or the property standards department of a municipality, whichever are most stringent, apply under clause (b).

The fourth is that funding be provided to the municipality so it would have sufficient resources to ensure an adequate number of inspectors.

The fifth recommendation on maintenance is that section 15 be amended so that no rent increase can be collected by landlords where there is an outstanding notice of noncompliance, and so that a minister has no discretion to proceed with the application if the landlord is in breach of the minimum standards.

The sixth recommendation we have is that in the alternative discretion, to allow an application to proceed, if there is discretion to allow despite the noncompliance, section 72 should be amended so that the minister must consider the degree to which the premises are not in compliance with maintenance standards when determining the amount of rent increase, so that when there is application--this is the only alternative--there be consideration of the degree of noncompliance.

The final recommendation is that section 93 be amended to delete "ongoing and deliberate" and allow capital expenditures to be disallowed whenever they have been caused by neglect in the area of maintenance. I am not a lawyer, but it is my understanding that in criminal matters, when one is called on, when there is the question of deliberateness or wilfulness on the part of somebody, it is very easy to get an acquittal if you have to show deliberate action. The tenants are called on here to investigate the state of mind of the landlord, and so is the minister. The phrase "ongoing and deliberate" should be deleted so that if there is noncompliance, the capital expenditures should be disallowed.

Ms. Hyndman: Returning to the rent registry, we do some applications on behalf of tenants now, mostly helping them to do their own applications for rent rebate. If a tenant under the present system suspects he is paying an illegal rent, he can generally phone the commission and find the last order on the building and the legal maximum rent that was set. I believe approximately 80 per cent of large buildings have been to rent review at one time or another, and there would be some record of that. That is the current rent registry we have, and you can at least determine that much.

Looking at the 1984-85 report of the Residential Tenancy Commission to the minister, which is the most recent that is available, it is interesting to note that the number of applications rose steadily from 1979, when the Residential Tenancies Act was brought in, to 1984-85. In 1979, there were 993 applications brought by tenants; in 1984-85, there were 3,886 applications brought by tenants. In the same period of time, the amount of rent rebate tenants got has steadily increased from \$219.99 in 1979 to \$756.79 in 1984-85. In my estimation, that demonstrates that the illegal rent increases have been going on for some time. Tenants who applied in 1979 would perhaps have only a year or two of illegal rent increases to recover; tenants applying in 1984 would have several years of illegal rent increases to recover.

There are probably a lot of landlords who have been taking it for many years, and this is why we find the amnesty granted to landlords in section 63 of the bill to be so offensive. If the landlord files the material on time and the tenant makes an application for a rent rebate, although the base rent is brought back to the legal level, the only recovery that is made is back to August 1, 1985.

Take a case where a new tenant moved in during 1981; the rent had been \$300, and when the new tenant moves in, it is set at \$450. This is how illegal rent increases usually arise, especially in large buildings. Tenants do not tend to talk to each other a lot until they have a rent review application before them. I have heard from clients that is the one good thing about rent review: They finally get to meet their neighbours and find out a bit about the common problems. It has built a better neighbourhood. I wish there were a better way of doing it than by a rent review application.

In any event, taking that rough example, let us say the same tenant stays in from 1981; it was a \$150 rent increase, which should have been only a six per cent increase. If the present tenant applied under Bill 51, the tenant would get back \$1,962 for one year, assuming he made the application about now and assuming the landlord had filed his rents on time. On the other hand, the landlord would get to keep \$6,929.52 in illegal rent. If you multiply that by even the number of rent rebate applications in the most recent report, which is close to 3,000, it gives you some idea of how much money, which they should not have taken in the first place, the landlords are being allowed to keep.

16:30

It is our recommendation that there should be no such amnesty for landlords. If they filed and admitted that they have been taking illegal rent increases, there might be some justification for making them pay back just what they have taken, with severe penalties for those who did not file and who tried to hide the fact that they have been taking illegal rent increases. I can see no justification for letting them keep any more than the interest they have earned on the money they have been taking over the years.

Second, I am most dismayed that roomers and boarders are not covered by Bill 51 rent review provisions unless there has been a previous order on the particular rooming or boarding house.

Mr. Reville: The government indicates it is going to change that. We have not seen the amendment yet.

Ms. Hyndman: Oh? One victory already.

Mr. Reville: We have to see the amendment before we cheer.

Ms. Hyndman: Yes. We recommend that all rooming and boarding houses be covered. These are often where, because of the high turnover and because the types of people who go into rooming and boarding houses tend to be the poorest amongst us, illegal rent increases can be quite rampant. I am glad to hear that the government has said it will amend that.

Our third concern is with respect to the notice that is going to be provided to tenants under subsection 58(2) of the bill, which says the tenant will be sent a notice setting out the rent the landlord has filed as the rent charged on July 1, 1985, and the amount of time the tenant has to challenge that rent.

We have had assurances from the ministry that it is going to do thorough investigations and cross-check the file grants with order grants and all sorts of other investigations. Quite frankly, it is incomprehensible to us that the results of those investigations will not be disclosed to tenants in that same notice. If the ministry has found an illegal rent increase and is sending out a notice anyway, I can see no reason for not including at the very least that information in the notice.

I suggest, however, that we go further and that the notice simply say: "We have done this investigation. On the basis of a 1982 order, your rent should be \$500 per month. The landlord indicates that it was \$700 as of July 1, 1985, so you have overpaid. Start paying \$500 plus whatever increase would be applicable under the guidelines for that year from now on. If you want back the money that you have overpaid, call us, come in and make an application."

Since the notices are being sent out anyway, and since the ministry is doing the investigation anyway, I see no reason those results cannot be disclosed immediately to the tenants affected by them. That, of course, will not reach previous tenants who paid illegal rent increases, but at the very least it should roll back the base rents to the proper level.

If the tenant who gets the notice cannot be bothered making an application, he is out of pocket. I can live with that. We have to protect the base rent to protect what little affordable housing we have left. If the ministry took on the responsibility of rolling back all the rents to what they should legally be, then I could live with some of the other provisions. That at least has to be addressed, and that can be addressed quite easily with a couple of minor amendments in subsection 59(4).

It was interesting to note--I was going through the bill with Ms. Agjee earlier today--that where the provision is of benefit to the tenant, it tends to be permissive, but where the provision is of benefit to the landlord, it tends to be mandatory. If all of section 59 were made mandatory, it would basically give the effect I have just recommended.

You also eliminate there the distinction between substantial and nonsubstantial illegal rent increases. Illegal is illegal. If it is just a little bit illegal, then the landlord has to pay back only a little bit; if it is a lot illegal, he has to pay back a lot, but there should not otherwise be this distinction between substantial and nonsubstantial violations.

In our submission, if you take subsection 59(4) and require in respect of any rental unit that the minister "shall," whether there has been a previous order or not--change "may" in clause 59(4)(b) to "shall" so it reads "shall investigate the rents charged for such rental unit"--and change the second "may" to "shall" so it reads "shall, on the minister's own motion, make any order which could have been made had the landlord or the tenant...under subsection (1) or (2)," and give the parties an opportunity to respond to that, then that would in effect provide for the rolling back of all the rents to the legal base rents.

Finally, section 60, which allows for retroactive justification of illegal rent increases taken, will present enormous problems for tenants if a landlord is trying to justify an increase he took four years ago on the basis of costs. Many of the tenants may not have lived there at the time. It is difficult enough to challenge what has gone on in the past year. The problems of challenging something that allegedly took place four years ago would be almost insurmountable.

The one retroactive justification we could live with, because of what the Residential Tenancy Commission did with its guideline RR-9, would be where there have been substantial renovations; but in that case we should allow only what the landlord strictly proves to have been done, not just with cancelled cheques but by bringing in the contractor who did the work or whatever and proving that the work really was done and how much it cost. Then perhaps you could allow retroactive justification, because they have been misled by the commission. Otherwise, it is most unfair to allow them to pass through something that happened that many years ago.

My friend is going to speak with respect to the guideline increases.

Mr. Chairman: Is there much left in your presentation? I am getting nervous.

Ms. Hyndman: I am afraid so. I am about halfway through it.

Mr. Chairman: In that case, I assume you prefer to have members respond at some other time. We have another presentation this afternoon, and the members of the committee have to eat out of the building. That may sound mundane to you. They have to be back here by seven; so it is not easy. That is why we had the half-hour allotment for each presentation: to get everybody before us who wanted to be heard. That is a problem.

Ms. Hyndman: Yes, I understand. It is a very comprehensive bill, and to respond to all the problems of it in half an hour is almost an insurmountable task. Perhaps we will not expand upon our points.

Mr. Chairman: Okay. I know it is a problem because it is a complex bill, and I appreciate the fact that you put a lot of work into it.

Mr. Reville: First, I want to know whether we are going to get a copy of your submission.

Ms. Hyndman: You will, yes.

Mr. Reville: Second, there is another option. You might try to find a gap in our schedule in the future if you want to continue at some length about your point. I do not know whether that is possible, Mr. Chairman.

Mr. Chairman: The trouble is that there is a long lineup for the gaps that are there now and for any gaps that might open up.

Ms. Hyndman: Perhaps if we go very briefly through the rest of our recommendations, we will submit them in written form for further consideration.

Mr. Chairman: Okay, because there is another presentation scheduled from a gentleman who is here this afternoon as well.

16:40

Ms. Agjee: It seems to us the purpose of the guidelines has been to set a level of rents that will cover the inflationary costs the landlord incurs. It is an administrative purpose, so there will not be a deluge of applications to rent review. It seems to us that purpose was satisfied under the six per cent when you look at the numbers of applications that were made and currently under the four per cent.

However, we have grave concerns about the additional two per cent in the guideline that is given to landlords under this law. The main reason for that is that when inflation is running at a lower rate, that guideline will be in excess of that, and when inflation is running at a higher rate, the guideline will be a little lower than that. However, when the latter happens, a landlord can still make application on extraordinary operating costs.

It seems to us the bottom line here is that the landlords are being given a lot of money. There is quite a large transfer of income from tenants to landlords. The purpose of all this as seen through the tenor of the bill is we hope tenants will get two things: (1) the hope and the promise that they will get better maintenance and (2) perhaps we will be encouraging landlords to build to meet this problem we have.

I will just speak to the main recommendations in this area. Having said that we have concerns about the guideline and the rates established, and the additional moneys that appear to be given to landlords, especially in the time when we have a serious affordability problem among tenants, all studies show that the proportion of tenants in the lower-income levels is increasing. Incomes are not keeping up with housing costs, and tenants have to pay.

Our first concern is that the formula that is set to establish the guideline be designed to match rent increases to actual increases in operating costs. Second, the two per cent should be eliminated altogether as there does not appear to be any justifiable reason for that two per cent. Third, since maintenance is such a key concern of tenants, any extra revenues should be tied directly to maintenance expenditures to ensure that revenue is spent the way it was intended to be spent. Fourth, the tenants should not be expected to fund any supply installation programs the government has in mind, particularly when there are no guarantees that extra revenue will be invested in new rental stock.

Ms. Hyndman: Ms. Agjee referred to the problem of extraordinary operating costs. This basically takes a system of averages and it takes all the risk out of averages to landlords. In years when inflation is increasing but the building operating cost index has fallen behind because of lower inflation in previous years, they can apply for an extraordinary operating cost. Although the cost increases may be quite usual for the year that they are applying because it is higher--their own costs are higher than the three-year average--they cannot lose by the average system. Instead of bunching up all their costs in one year to apply for rent review, which is what they do now, they can bunch all their costs up into one category and spend all their money on one maintenance category and apply for an extraordinary operating cost. On that basis, they will still get the operating cost allowance of the guideline minus one per cent, plus what they can establish as their extraordinary operating cost.

With respect to capital expenditures, there is some very small recognition that tenants should have some input into what capital expenditures are made in their buildings contained in subsection 14(d). That is the weakest and vaguest and powerless section I have ever seen in legislation. It provides for timely consultation. It does not say what the minister is to do when a tenant says: "We do not want that. We do not want to have to pay for that."

Clause 72(b), which directs what the minister is to consider in establishing what rent increase is justified, is mandatory. There does not appear to be any discretion in the minister or in the appeal panel to

disregard capital expenditures that the landlord has incurred, whether this meaningful consultation resulted in the tenants saying they wanted them or did not want them.

We are pleased to see some recognition that capital expenditures are built into the rent and are costs that are often no longer borne after the amortization period is over. We question why it should be limited to eliminating 80 per cent of them. The landlord is not bearing 100 per cent of the cost any more, and it in our submission that 100 per cent should be eliminated, as well as the interest rate that was built in at the same time.

Second, we see no justification for limiting it to capital expenditures that were made after August 1, 1985. By that date, you have 10 years of capital expenditures already built in, which future generations of tenants will pay for to infinity.

We have the same concern with respect to financing costs that are no longer borne. Again, why the limitation of August 1, 1985? With respect to section 93, which allows the minister, without the landlord's bringing an application, simply to look at the financing costs when the mortgage or other instrument expires and to alter the rents based on removing the costs no longer borne, this section again is discretionary. The minister may do it; he does not have to do it.

With respect to the financial loss, we know of no other business area in which a new owner is guaranteed to break even. He can eliminate his financial loss as soon as one year now. The only cap on it is the five per cent per year; so it depends on how much the financial loss is; but the other half of the cap that was put on in 1982, that you could eliminate only one fifth of it per year, has been removed. Therefore, it can be passed through more quickly to make sales more attractive to landlords, which is generally bad for tenants. By and large, buildings that have been owned by one landlord for a period of time are better maintained. Buildings that are bought as speculative investments are not nearly as well maintained.

Finally, I want to deal with the concept of equalization. That starts out seeming to be a pretty fair proposition. In fact, when I first went to public meetings, I said so. There is something fair about charging equal rent for the same units. The tenants were outraged that I should say such a thing, and I have totally reversed my position on it.

There are a number of problems with it. First, there is no provision for establishing that the high rents that are being equalized to are legal. I submit that if the provision is left in at all, there has to be a provision that the landlord establish that those rents are legal to begin with. There is a correlation between the length of occupancy and the amount of rent one pays. Long-term tenants tend to pay the lowest rents in the building. People who are in units where there has been high turnover tend to pay the highest rents. It may be coincidence, but I suggest that raises a reasonable doubt that the rent is not legal.

Second, tenants who exercise their rights under the Residential Premises Rent Review Act and, to a more limited extent, under the Residential Tenancies Act and challenge guideline increases--successfully in some cases, particularly under the first act--will have lower rents as a result, because the base rent will be lower. You are retroactively taking away from them a right they exercise and were successful in exercising some years ago. I have some difficulty that as a legal concept, that you can basically reverse a decision that was made several years ago.

Finally, even though those other two problems are not present, there is still the concern that this will create affordability problems for people who are paying the lower rents. Even if the other rents are legal, many of the tenants who are long term are long term because they are poor. They will never be able to afford a house. They have been living there for 10 or 20 years, because that is all they can ever afford. It would place great financial hardship on them suddenly to be brought up, even if it is phased in, in addition to guideline increases. If it is going to be left in, we suggest that it be limited to two per cent per year.

16:50

Finally, we are going to deal with the chronically depressed provisions.

Ms. Agjee: A survey undertaken by the governments of four cities in Ontario seems to define a category of units as chronically depressed. From my experience, the units in Scarborough, where there are affordable rents, would seem to be buildings which would probably be welcome within this definition of chronically depressed--older stock buildings, 60 units and under or thereabouts, low-income families. Many are limited dividend buildings built under our federal housing program with very special financing to the developer. The intent of the program was affordable rents for low-income families.

The 5,000 limited dividend units in Scarborough, I would safely guess, would fall under the definition of chronically depressed. Mr. Church shakes his head at that.

Mr. Church: Without interrupting your presentation, in those instances they cannot. We had that discussion here before and I will explain that to you afterwards.

Ms. Agjee: Because there is certainly nothing in the legislation to indicate--

Mr. Chairman: Go ahead with your presentation.

Ms. Agjee: We have concerns about those limited dividend buildings being categorized as chronically depressed.

We would have concerns about any units where there are affordable rents because that is really what this means. I have yet to find a unit, a building in Scarborough, where rents are chronically depressed, where it is a problem for a landlord. The survey does not provide a lot of information. We have no evidence of the financial status of that landlord, whether there has been any financial hardship suffered by those landlords. We have some information on tenant populations but none on the landlord.

My experience bears that out. Those buildings where rents are affordable are units where they are longer-term tenants. Therefore, from my experience, through tenants' vigilance or because they are long-time tenants and where it appears there are better relationships between landlord and tenant, they have been the legal rents all the time.

A landlord had his recourse in the last 10 years; a landlord who believes that a large increase was justified could always have made an application. If he chose not to, I assume it was because he was satisfied or

had nothing to lose. We have not had just two or three years of rent review so that we can talk about unsophistication or a landlord uneducated to the system. We have had 10 years of that system. Even a small landlord representing himself, from my experience at rent review, has been successful in obtaining quite a hefty increase. There are a lot of unanswered questions on this.

My experience has been that where one application might have been made on a unit which could be called chronically depressed, it was found that in fact the landlord enjoyed a comfortable profit margin. That was indicated through other documentation at rent review. Again in this instance, there appears to us no policy justification for this. It seems to be an outright passing of extra moneys from tenants to the landlord. To what end, we are not sure. It is not clear.

Our recommendation in this regard is that section 88 be deleted altogether.

Ms. Hyndman: We will conclude at that point. I apologize that we have gone over, but since the outset, we have not said anything more than the bare bones of what I think are essential criticisms of the bill. It is so hard to get it all in in half an hour. I thank you for your indulgence.

Mr.-Chairman: Thank you for the presentation. I suggest if you can send us a copy of your presentation at some point, we will make copies and distribute it to members of the committee, some of whom are not here. Then the members can peruse your brief at their leisure. Thank you very much.

We have one more presentation this afternoon.

Mr. Reville: I would like to ask one question.

Mr.-Chairman: If there is one, there are as many as people want. Go ahead, Mr. Reville.

Mr. Reville: You have made your presentation very clearly, and I do not want to ask you about the detail; but given that you are a major tenant advocacy group, can you tell me about your relationship with the tenant representatives on the Rent Review Advisory Committee? Was there consultation? Clearly, you do not agree with their recommendations.

Ms. Hyndman: I do not agree with many of their recommendations, no. I know some of the people who were the tenant representatives and I have a great deal of respect for them. They were put in a difficult position in having to advise on government policy and make recommendations within those parameters. That is not the same as being asked what the policy should be. I am actually quite distressed at the way some of those representatives, whom I believe are very strong tenant advocates, have been attacked from within the tenant movement and by our client group in particular for selling them out. I do not think that is what happened. It is very unfortunate the agreement has been portrayed that way.

Mr. Davis: I understood Mr. Reville to ask whether you were consulted.

Ms. Hyndman: No, I was not consulted.

Mr. Davis: Yet I understand from the minister that this agreement is an agreement; it was not just advice. This was an agreement that came out of the discussions between the tenants and the landlords, and there is compromise in it. I also understand your representatives on that committee, as well as the landlords said, "This is the best deal we can buy," and therefore there was an agreement.

Ms. Hyndman: That was the best deal they could buy from this government. I think they believed that when they signed it.

Mr. Davis: Okay, but my understanding is fair; the tenants who were on there agreed in principle to Bill 51. In fact, they helped to formulate Bill 51.

Ms. Hyndman: That is reasonably accurate, yes, but of course I was not privy to any of those discussions. I have spoken to some of those members, and basically what I said earlier in answer to your colleague's question is the impression I got of the process.

Mr. Davis: Okay, fine, thank you. Just a final question. You may not even want to comment on it, but you certainly have raised what I consider to be one of the most difficult pieces or spinoffs to come out of this bill. The minister has advised us that when Bill 51 comes into place, a number of tenants will indeed face substantial rent increases. Those who are already on government subsidies will have to have more, and a number of people across Ontario who have never received a government subsidy will have to because of the increases they will face.

There is a corollary to that. I do not have the answers in either case, but it is important to place it out there so people understand. There will be many landlords who will be placed in insolvency because of the illegal rents they charge. Some of those people have been before us. There are a lot of down factors in this bill that really are not being explained too clearly to people. I am going to tell you that I do not have any answers for them either. If you could think of any answers that would help us, we would certainly look forward to them.

Ms. Hyndman: I fail to see any justification in saying someone can stay in business only if he commits illegal acts, so we will let him commit the illegal acts. We could not let people do that in any other business.

Mr. Davis: I did not say that. I said there is a moral dilemma that needs to be addressed. On the tenant side, a number of people who have never before had to seek government assistance will now have to seek it. On the landlord side, a number of people--hundreds or thousands, according to the minister--will be placed in the position of becoming insolvent. These people have invested their incomes. I am not saying illegal rents are right or wrong. I am saying they happen. I am not so sure we have a way of dealing with them and I suggest we are looking for mechanisms that deal with them and protect both groups, because both groups are going to suffer under Bill 51, unless I read Bill 51 wrongly.

17:00

Ms. Hyndman: No, I think you read Bill 51 correctly. To a large extent, the private developers are not able to meet the needs for affordable housing. They can meet the needs for luxury housing, for single, family-owned housing, but they cannot provide apartments that rent for \$300 or \$400 or \$500 a month, which is what most of our clients are looking for.

Mr. Davis: If you can help me on that, I would appreciate it.

Ms. Hyndman: The government needs to fund more nonprofit housing.

Mr. Taylor: Do you have difficulty with the municipalities accepting more nonprofit housing?

Ms. Hyndman: No, I think they should accept it.

Mr. Taylor: Do you think the municipalities will embrace this type of housing?

Mr. Reville: If they are properly led, they will.

Ms. Hyndman: I think their response will vary. People are not poor because they have committed some crime.

Mr. Taylor: I am not arguing that. My perception is that there are municipalities around Metropolitan Toronto that do not want any more public housing.

Ms. Hyndman: I know you are correct on that. My response to them is, where are these people supposed to live?

Mr. Taylor: It is a dilemma, but I think you have a mindset out there among some of the large urban municipalities that you are going to have to cope with. Amen.

Mr. Chairman: Thank you, Ms. Hyndman and Ms. Agjee, for your presentation.

I believe George Macri is here. Thank you for your patience. Please be seated and make yourself comfortable. We look forward to your presentation.

GEORGE MACRI

Mr. Macri: We have a small, family-run business which we began in 1950. We have mainly low-stock, low-rise buildings, duplexes, triplexes, fourplexes and one building of 18 units. Condominium conversions and co-operatives do not affect us directly at this point.

Our relationship with our tenants is very good and we have long-term tenants for the most part. We were strapped back in 1976 or so with low-based rents even for that time. The general climate since that time, through legislation and whatever--it has improved recently--has deteriorated our desire to be in the rental business. I stress the fact that this is a family-run business, a holding investment company, and we have held properties for 20 or 30 years.

Over the years, we have been shocked and frightened by the continual barrage of laws, this, that and whatever, landlord and tenant regulations, problems in evicting tenants who did not pay rent or who destroyed property, to keep it very simple. That is what irked us more than the reduction from eight per cent to six per cent, or even six per cent to four per cent, although I do not agree with the six per cent to four per cent.

For example, recently we had to evict someone who owed one month's rent. It took us one and a half months, which we considered lucky. By the time all was done and buried, we had lost \$2,000 through repairs, sheriff's costs, legal costs, whatever. That property will now go commercial, basically because of our disgust with the system. I am just referring to eviction which is justified, when we have damages.

We cannot deal with the system even as semi-professional people who have been in the business for some time. We have lost a lot of rents in some cases. This only involves about one per cent of all our tenants, and we were able to absorb it. We do not usually go to rent review because it is not worth it, not only from the financial point of view, but also from the point of view of our relationship with our tenants whom we will have to deal with on an ongoing basis for the next few years.

Over the years, the negative climate has given us the impetus and the rationale to streamline our business. In 1976 or 1978, in that range, we had 200 rental residential units per se. We now have 100 rental residential units. We converted the balance to commercial offices, to some institutional uses. We did not want to do it. We were forced into it. We had to put up with and were burdened with so many laws and restrictions that we just gave up and said, "Let us go commercial." We did that over the years.

The rate of return was another factor. For a 10-room house on Avenue Road, we receive \$400 or \$500 a month gross. If we change that to commercial, we would receive \$1,200. It is not only the money; it is inability to get close to what we should receive in income for the value of the property.

I will skip through a lot of this because I know you are behind time.

Solutions: Many of our tenants have said: "We would be glad to pay more rent. Do not convert to offices. Do not renovate. Do not sell." We cannot do that legally. It has to go through the rent review system or whatever and it would not be granted to us. Whatever they would have agreed to pay, from \$300 up to even \$400, could not be justified on the books; so there was a loss of housing.

We strongly urge the phasing out of rent controls. With respect to giving more confidence to people such as ourselves who own duplexes, triplexes and fourplexes to keep those triplexes and fourplexes and to revert from single-family homes to triplexes, we could return to the market at least 75 to 80 units if we had the desire and the rationale and if we were exempted from certain laws so we could receive a better return, which would be under the \$600 to \$700 range. These are not luxury units. They would not be luxury units. They are old stock units that are 60, 70 and 80 years old.

We could easily revert to more housing, but I do not see any reason why we should. These new rules in Bill 51, and especially in Bill 11, are just tying us up even more and tightening the knot around our necks. We will continue in the business, but what has been done has been done. I do not know whether there is any hope of reverting to some residential units in those homes.

We have a number of units in the northern part of York, in Richmond Hill and Thornhill. We could build 600 to 700 rental units, 10-storey buildings. They could be sold as condominiums and we could wash our hands of this whole situation. We could make our money and run. We have decided not to. We will hold on to the land until such time as we can build and receive a fair return on our investment.

The rental we would have to receive from these new buildings would be approximately \$800 or \$850 to break even or make a slight profit. In the market in Richmond Hill, we have difficulty renting units for \$550 and \$650. There is a gap. Will the government subsidize us at least to break even? I do not know. We would be willing to build under those circumstances, but we certainly cannot build knowing we will lose \$200 or more per unit on a major development. There is no rationale for doing that.

There are a lot of good points in Bill 51 and Bill 11. Protection for those who need it: A majority of our tenants do not need protection; they need reasonable protection but not to the degree it is now. Many people in our units have \$30,000 and \$40,000 in combined incomes. They are paying \$300, \$275 and \$350 at Yonge and Eglinton and, on average, \$500 or \$600 at Yonge and St. Clair. They could easily afford more. Yet there are tenants in these same buildings or in other buildings who cannot afford it. Will the laws be changed to allow those who need it to keep on the low end of the scale? But to give the owner the desire or the initiative to stay in the business, why should those who do not require assistance be protected? Can that equalization be carried over to those who can afford it? I do not know whether that is a solution or even whether it is enforceable.

17:10

I am concerned with maintaining buildings; I am fully in accord with that. We get into some older units every two or three months and take a look at their old galvanized sinks, their very old toilets, whatever. If the work can be done within a day, we will do it. If we cannot do it within a day, then we are liable under court action for disturbing quiet, peace and enjoyment. The alternative is to give notice and evict the people so we can do these major repairs. I am talking about plumbing and electrical repairs. It is very difficult to do these repairs in a building if you have people living there. Our contractors will not do it. We tried it once and we were blasted by the tenant afterwards for causing a disturbance. When you renovate or upgrade, you will get dust, no water, etc.

Bill 51 would restrict us from doing this, or at least delay us. Again, we have more and more regulations on our shoulders, which I do not feel is really proper. When someone wants to renovate his building and keep it residential, he has to face this barrage of public hearings, etc., and he is literally put out to the public for the picking of his bones.

There is nothing more I have to say, except that we are not pleased with what is going on now in Bill 51. There is no incentive for us to see an improvement in the situation and until there is, we will not build new rental accommodation. Until we can receive a proper return, we will not build. What is a proper return? Is it six, eight or 10 per cent of market value? We are not asking for the maximum, but we do not expect to receive only four per cent or six per cent back. I suggest seven per cent or eight per cent on some formula or value of the property--I do not know--proper increases that are not necessarily tied in to a low cost of living at the moment. When it was high, we were the losers; we could not go to the courts or wherever and justify a higher return.

We are disgruntled with the whole system. I am not going into specifics whatsoever, just the general feeling we have had for the past 10 years. It has directly affected our tenants and future tenants by lack of rental units in our own case. We were forced into this by the laws. We could see what was

happening. We knew something like this was coming. We acted on it four years ago by obtaining building permits, by going to commercial, by selling, whatever. We did not sell that many.

Mr. Chairman: Thank you. I do not understand one part of your of your presentation. You indicated that you never went to rent review.

Mr. Macri: No. We seldom did. We did go if our building had a mortgage on it. One or two out of the 60 have mortgages. We had to go to rent review to break even at least, and we are still not breaking even.

On a property at 56 St. Clair Avenue West--this is going back three or four years; I do not recall now--we were allowed on one unit \$750, \$800 or \$900; I do not recall the exact amount. We put it on the open market and listed it at the realtor. We could not rent it for that amount. We finally rented it for \$100 or \$150 less than we were supposed to receive; so we are still in a loss position. People will not pay on average when we have rents of more than \$670, \$750 or \$800, regardless of whether it is a luxury apartment. I use that term loosely: an apartment is an apartment--a nice, clean apartment, mind you. It comes down to affordability: who can afford to pay and who cannot.

Mr. Chairman: I am somewhat confused. I will let somebody else have a go before I come back at you.

Mr. Reville: You said you are disgruntled with the whole system. Does that include the system that is contemplated under Bill 51?

Mr. Macri: There are many good points in that, I agree. I am just saying from the point of view of impact on us directly, eviction and the rate of return, the process involved to solve these problems--not to a major degree, just to a reasonable degree, which would equal maybe a seven per cent return--

Mr. Reville: You should understand that the Landlord and Tenant Act is not before us.

Mr. Macri: I understand. I am just here to say why we have decreased our rental stock, and what is before you, which I am not really prepared to--I should have had my lawyer come here and argue with Bill 11.

Mr. Reville: We are dealing with Bill 51. We did Bill 11 already.

Mr. Macri: Whatever. I want to pass on the feeling of why we did what we did. If we are doing it, a lot of other people are doing it.

Mr. Reville: Is it unfair to ask you whether Bill 51 will encourage you to build?

Mr. Macri: I have not read it in much detail. Some points are very good: protection of those who need it, etc. I cannot really comment on that; I have not read it. I just want to get across the feeling that ours is a small landlord, family-run business that has held on to real estate, rental units, for 20 or 30 years, and we are in a dilemma. We are getting out of it to whatever degree we can. Not that we wanted to originally. It cost hundreds of thousands of dollars to do what we did. Think of renovations, whatever. It was forced upon us--and I really mean that--because of the buildup of more and more regulations and laws.

Mr. Reville: There is no question that the regulatory climate has become very crowded. One thing you said troubled me a great deal, though, and that was that you were having trouble doing major repairs and renovations because the tenants would immediately charge you with disturbing their quiet enjoyment. You must have very litigious tenants.

Mr. Macri: One tenant had a city official come in, unknown to me, when I sat down to talk to her about an extension of agreement to terminate or whatever to give them time to find other accommodation. We agreed to let them continue for a six-month period as opposed to a four-month notice period. We had a city official there. He just sat there, but just having him there intimidated us. We agreed. We had lost rent on the other two units in the building; it is lost rental there. We had substantial delays, which amounted to about eight months of loss of rent and vacancies because we were generous in allowing the tenant to continue and did not continue in an eviction format.

Mr. Reville: That sounds like a different problem. I thought you had said to us that unless you could make your repairs within a day, you could not do it because tenants would begin to wail about quiet enjoyment and what not.

Mr. Macri: That is right. They believe they have the right--

Mr. Reville: Surely if you give notice that it is required and they know when you are coming--I have spent a lot of my life renovating apartments with the tenants in situ, standing on top of their refrigerator making a hole in their ceiling and then hearing them complain about plaster crumbs in the cornflakes and what not; but after the repair was done, they finally got some hot water.

Mr. Macri: You are talking about minor repairs. I am talking about major--

Mr. Reville: No; these were fairly major repairs.

Mr. Macri: You have to take out the guts, the galvanized piping.

Mr. Reville: Yes. The water pipes.

Mr. Macri: The wastes, the toilets, the bathtubs. How can anyone live there with no toilet and no water?

Mr. Reville: We used to get the services back on at the end of each day, but I will tell you, the place was ripped to shreds, and the people went on watching television and what not while we were there.

Mr. Macri: Our tenants would not want that.

Ms. E. J. Smith: We are into a lot of percentages, and you said you hate playing around with percentages, but in a sense we are into them because we are hopeful that this bill, although not a miracle-maker, is going to interest people in the rental market. It envisions a three-year moving average of the 10-year Canada bond rate plus one per cent as a fair profit. Recognizing that tenants are probably more trouble than just putting your money in the bank, how does that particular figure--

Mr. Macri: What percentage is that?

Ms. E. J. Smith: It is one per cent above the Canada bond rate.

Mr. Macri: Which is?

Ms. E. J. Smith: Whatever; it is floating.

Mr. Macri: Floating. That is fine. If you have a formula that says we can get even a percentage lower than that, we would be happy with it, but not four per cent.

Ms. E. J. Smith: No; four per cent has nothing to do with it. That four per cent is confusing the issue, because the four per cent is an increase not related to other things. This is profit we are talking about here.

Mr. Macri: That would be fine. We have no objection to that.

Ms. E. J. Smith: Thank you.

Mr. Chairman: Any other questions? Comments? Thank you for your presentation, Mr. Macri.

The committee recessed at 5:21 p.m.

STANDING COMMITTEE ON RESOURCES DEVELOPMENT
RESIDENTIAL RENT REGULATION ACT
TUESDAY, SEPTEMBER 2, 1986
Evening Sitting



CHAIRMAN: Laughren, F. (Nickel Belt NDP)
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Cordiano, J. (Downsview L)
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Reville, D. (Riverdale NDP)
Smith, E. J. (London South L)
Stevenson, K. R. (Durham-York PC)
Taylor, J. A. (Prince Edward-Lennox PC)

Substitutions:

Davis, W. C. (Scarborough Centre PC) for Mr. Bernier
Hennessy, M. (Fort William PC) for Mr. Pierce
Jackson, C. (Burlington South PC) for Mr. Stevenson

Clerk: Decker, T.

Staff:

Richmond, J. M., Research Officer, Legislative Research Service

Witnesses:

From CSA Building Sciences Ltd.:
Hallford, D. G., Architect

Individual Presentation:
Peteranac, Z.

From the Faulty Towers Tenants' Association:
Mason, K., Spokesperson

From the Ministry of Housing:
Church, G., Assistant Deputy Minister, Corporate Resources and
Building Industry Development

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Tuesday, September 2, 1986

The committee resumed at 7:13 p.m. in room 228.

RESIDENTIAL RENT REGULATION ACT
(continued)

Consideration of Bill 51, An Act to provide for the Regulation of Rents charged for Rental Units in Residential Complexes.

Mr. Chairman: The committee will come to order. I apologize for the delay. Is Donald G. Hallford here? Take a seat at the table and make yourself comfortable. Did you wish to make an oral presentation?

Mr. Hallford: Yes.

Mr. Chairman: Very well. You can proceed. We welcome you to the committee.

DONALD G. HALLFORD

Mr. Hallford: Thank you very much. I would like to express some thoughts that are going to be largely nontechnical with very few figures but, I hope, some ideas.

The invitation to appear is very much appreciated, because the stress that has been set up between the tenant and the landlord over the past few years is enough to take the joy out of being a landlord, in spite of some of its attractive aspects.

I had the chance to read Bill 51 a month or so ago and did not attempt to implement any of the recommendations in a practical tryout on our books to see what the effect would be, but I did find it encouraging in two ways. One, there is the recognition that the problem we have both been worried about for some time with our tenants is being faced up to.

Going back 13 years, when I first began investing my resources in rental accommodation, I started to have conversations with the government and our MPP at the time. At least eight years ago our local MPP assured me there was a committee taking a very active part in the review of our problems and those of tenants. Afterwards, we met with some gentlemen at Queen's Park, including Dr. Elgie. We had a very successful hearing, except I became disillusioned. There was far too much agreement with our point of view, and I began to wonder what exactly would happen as a result of the meeting. Very little came of it. I think the reason is that we are operating from different philosophical points of view.

While Bill 51 attempts to resolve a short-term dilemma, which to my mind is strictly a shortage of rental accommodation, I have the fear it probably will not do that. I think it will achieve two things. Tenants will probably be a little more relaxed with us when we get them together, as we do occasionally in the lobbies and in the recreation rooms we have. We consider them to be our guests, and we try to get them to act that way to help them become interested

in the property as a place to live. We try to encourage our superintendents to take an impartial, middle-of-the-road approach so they represent the tenants to us and us as landlords to them.

In turn, I probably represent a great number of individuals who do not have regular jobs. We are people in private practice. We have no pension; we must make provision for our retirement. One of the vehicles is to invest--in stock, mutual funds, Greenwood, housing, industrial land or development. I chose apartments because I like people, because I am an architect and because I thought I could acquire raw land and work it through rezoning and, of course, build, as I have done with some partners. That is why I have enjoyed the experience.

This bill will help us in that we are your captive audience. We have apartment buildings, and we are pretty well stuck with them. Until our balance sheets become more attractive, the only way we can sell is through a distress type of approach. It is getting easier each year, not because of the government's help but largely because inflation has slowed down. The 21.5 per cent mortgage we were forced to take on one building has settled down to about 10.75 per cent. The other buildings had eight per cent to 11 per cent mortgages in effect when we purchased them, which then soared to 13 per cent and 17 per cent. They have settled down.

During the painful period 1981-83, most of the landlords were putting money into the pot out of their pockets. This was not a paper loss; it was a negative cash flow we worried about. Most of us almost went under. Most of us came before the rent review committees at that time and were given some relief, but not fast enough nor sufficient to create a positive cash flow. It was only because my partners and I had other incomes that we were able to feed the pot to the extent that our worst experience was to subsidize tenants earning considerably more than we were, to the tune of \$1,000 a year per suite.

We had no one from among the tenants worried about our plight. We were very upset, because the process we were encouraged to follow through rent review took 26 to 30 months from the date we reviewed our financial statements, usually in December for that year-end, until the last of the results of the rent review filtered through to the last of the tenants whose lease was in its first month when the award came through. That is a long time to correct a shortfall, and in those situations you become very cynical. You are tempted to reduce your maintenance to a minimum. You have to balance your sense of pride of ownership with the desperate fear that everything you have put in is going to be lost if you have to sell.

19:20

I think Bill 51 overcomes some of our fears in that it seems to be a more expedient process. I am hoping to see it in action and hope it proves to be true, but I do not think it is going to result in any of those who have left the housing field re-entering it.

As you remember, Cadillac Fairview approached the government some six months before it made that sale. One of the gentlemen I was dealing with through my architectural practice was involved in the final purchase of those; so I knew even back when Cadillac Fairview was approaching the government with its problems that there was a play behind the scenes and it did come about. It caused a horrendous furore and disrupted the entire Toronto market. Of course, it is still under way.

Those people who have left did so because they saw a better return on their investment in other real estate ventures: commercial, industrial, condominiums. I do not think they are going to come back under Bill 51. I do not think it is going to attract any new investments, because those fellows with whom I talk and consider different ways of using their spare money have much more enthusiasm for a medical centre or a small office building. We are small operators with small commercial retail outlets because you control your own destiny.

None of these good points about investing is met under Bill 51 because I think we all feel we are still under the control of governments. Governments are not after the same objective as we are. They are after a social expression of their responsibility, and we are after a return on our equity.

Whether we are on a steady income or entrepreneurs, we can all earn about 18 per cent compounded annually by simply going to a broker and buying one of the mutual funds. There is no great challenge, there is no administrative cost, there is no hassle, no worry. If we decide to be landlords with apartments, do constant work and effort and show concern over the people and ourselves and we do not come up with that kind of return, it is not going to attract new money at all. It is only going to pacify those of us who are in this position. We think the potential reward to investors in apartment buildings is so poor that we are steering clear of it. It is rather sad, because it is this one area I would most like to be active.

If Bill 51 is doing anything, it will probably prevent that slow and gradual decay and deterioration of our investments, which is almost inevitably the result of running too close to the line, having too close a return on your investment. We have all seen the historic accounts ever since 1973, when the Toronto Star started to publish these articles on other cities and municipalities that have incorporated rent control as part of their solution to the housing problem.

I have yet to read a successful instance of implementation of rent control in increasing the stock. It has been very helpful to the tenants. It has allowed many of them to stay in housing at less cost than the landlord is put to to provide it. It has made the shortage even more severe than the lack of new construction, because if their lifestyle is one of "have it today and spend it today and let tomorrow worry about tomorrow," they are better off in our apartment than buying a condominium or a house. They can pick up a few hundred dollars every month, which allows them to do the things we normally have to wait to do. It is not encouraging the wealthy tenant to move out at all. He has a very good thing for himself. We believe he is enjoying accommodation for less of a rent than is justified.

On the other hand, it has taken some of the pressure off governments worldwide by creating and maintaining a lower-than-viable rent. I do not dispute that this is of great benefit to a lot of people. For their sake, I am thankful they are enjoying that benefit, but it is a costly one for the government. It has a very heavy tax consequence. Considering that the government is encouraging us philosophically to invest money so we can be successful so that eventually it can tax us on income at 40 to 50 per cent, it is losing that source of income.

MacEachen's budget of 1982 was the most adverse budget I have ever experienced in that the government decided it wanted up front the reward that we anticipated eventually. It started to tax us before we were able to sell our buildings. Fortunately, that one was killed. It illustrates the difference in points of view between political groups and private entrepreneurs.

If my line of reasoning is correct and it will not alleviate the growing shortage of rental accommodation, it is because philosophically Bill 51 still puts the onus of provision of housing on the entrepreneur. That is doomed to failure because investors and entrepreneurs are not social workers. We do not take the gamble and the risk from a feeling of social responsibility. We meet those two obligations in our support of other worthwhile efforts, but not housing. The government's approach is wrong. It must face up to its moral and social responsibility and attempt to provide the housing.

We all know that when it has been tried that way, it has failed. Governments and bureaucracies do not provide good housing. They do not provide the type of housing most likely to succeed. They do not know how to make a dollar out of it. Governments that have tried it and lost great amounts of money are trying to get out of it.

Ontario in particular has made a point of trying to get out of housing and is just now slowly reversing that Progressive Conservative policy. Under Bill 51, I suspect there is no way an ample supply can be put on the market so that a tenant has a free choice of accommodation. Therefore, I have a couple of suggestions. I am sure you have heard them over and over again, and I am sure you have been talking about them among yourselves before this hearing.

If the government cannot afford to provide the housing, it has come to that conclusion because it is too expensive to do that it way and it is trying to force the investor and the entrepreneur to take its place. It cannot be done that way. We will not do it, but we want to. The only way I can see to create a situation in which there will be an ample supply comes in a two-part plan of action with an assurance to us who are locked into it and to those who are attempting to join us in new work that we can look forward to the abolition of rent controls. We do not even care at which stage. We simply want to know that there is some positive plan on the part of the government to phase them out.

You need two and probably three years' lead time from the conception of your idea to the opening of a door to a tenant anyway. If we knew that down the road there would be a change of heart that we could count on, we would believe you. Then we might be tempted to get our finances together. It means going into a heavy load of debt. It means one has to mortgage his house. At my age, when I should be starting to slow down, it means remortgaging again. I would gladly do that if I thought: "This is another layer in my pension fund. I will gladly go into rental accommodation because in 1989 or whenever, I can see some hope of doing as well as I can in a mutual fund."

The other alternative is a mighty push on the part of all three levels of government to do it themselves, to tax us all as taxpayers so governments can get a fund ready to put into housing. That will never come about. If a reasonable person sits back and sees that we as a government are desperately anxious to provide housing for our taxpayers but we are not going to do so because it is too costly, instead letting the investor do it, I think that housing is not going to happen.

19:30

Perhaps by being able to offer the out I have suggested and by looking down to the end of a long road, allowing us to build at the market cost and rent out accommodation at an economically viable level, we will be happy and will be back with you. The tenant is going to be very upset because no one voluntarily pays more for something than he has to. If I am driving a leased

car for \$239 and someone says, "I am not making money; I want \$339 for it," I will not take it without screaming and hollering, but I do have an option at that point; I can buy my own car. That thought goes through a lot of minds as you talk economic rents and levels.

That allows every party to win. The entrepreneur or investor starts plunking his capital back into what you want, and that is housing. The government will be obligated to fulfil its social responsibility by making it possible for its taxpayers who are at a low income to have the money necessary to pay those economic rents. Whatever name you put on that idea, it is a very simple one.

I, too, am in favour of clean, warm, dry, well-kept housing of different levels of luxury, depending on one's financial resources. I think the government's obligation is to provide all those qualities at a lower level than for wealthy people, but still good. If the income a tenant earns is too low to pay whatever rent is required at that time, then I think perhaps the government should step in to give help.

The tenants are probably in a good position because for the first time they are going to have a choice, and the greatest choice they are going to have is to move out of the dirty, grimy, run-down, disgusting accommodation they are forced to pay for. I read about it in the paper and have had occasion to look at some of it and it makes me sick. They will have a choice to move out of that into those other attributes, which I think they deserve.

Thank you, Mr. Chairman. Those are my thoughts.

Mr. Chairman: Thank you, Mr. Hallford, for your presentation. Are there questions from members of the committee?

Ms. E. J. Smith: Thank you, Mr. Hallford. I enjoyed your rather philosophical approach to this. I think we are all aware of the philosophical obligations of government. We also recognize you are a taxpayer as well as an investor. We do not want to create for the taxpayers an out-of-control situation, any more than is required to house those who must be housed with government assistance. If you are philosophical, there is this double problem, which is compounded by so many years of getting behind in housing.

However, we have had witnesses here--and I think this is rather crucial--who seem to feel there is enough money allowed for in the bill. We recognize corrective time is needed for individual landlords' or tenants' problems that are not instantly solved, but we are trying to look at a bill with a long-term, ongoing future.

Before we broke for dinner, a small apartment investor said he thought the return on interest reflected in the bill was sufficient. Certainly the people on the committee who put the bill in place and recommended it to us seemed to think there would be takers there.

We hear a lot right now that everyone will invest in office space, but in the real free enterprise system, if the market gets taken up, there will eventually be enough office space and the odds are that in our present economy there will probably still be money around.

Mr. Hallford: There will be.

Ms. E. J. Smith: You talked 18 per cent, which you could make

easily. That seems very high to me. Do you have any solid sense of it that our bill is not offering enough reason for people to invest? You said you would second-mortgage your house. There are other reasons for being in property than just for the immediate cash-flow return on money.

Mr. Hallford: Yes, there are.

Ms. E. J. Smith: So I do not think we can look at just that as an incentive.

Mr. Hallford: It is not the only incentive, of course, but I am avoiding the technical answers and figures because, having read the bill, it would take a long time to see whether in application it serves my purpose. I am still convinced it is not going to solve the housing shortage, which is the government's prime objective of the bill. If it is not the prime objective of the bill, then it surely must be to protect the tenants, because it is not doing enough to ease me out. You say there is always a chance that the office field might become oversupplied. That is clear, so we do not go into it. You do not go into anything until you determine the supply and demand.

Ms. E. J. Smith: That is right.

Mr. Hallford: You move around but you do not go into housing. There has been no one who has come back to rental housing on a major scale for years.

Ms. E. J. Smith: The bill was designed by people in the business who thought they were building in a return on investment.

Mr. Hallford: For the present investors, as I said, it might be a very welcome relief, but that is not increasing the stock.

Ms. E. J. Smith: No, for new investors. The hope is that the bill will draw people into the market. We have had people here who said there is an ample return. I know nobody can guarantee it. You put a bill in place--

Mr. Hallford: I would like to explain it from a personal point of view. The groups who might, if what I hear is supposed to be well-founded, will probably be the institutional types. Some of our clients are insurance companies and they take an unholy long point of view on their investments. I would be dead if I tried to follow their philosophy. I have to decide with my friends, who are my age, how to use our money wisely so we are still living to draw the benefit from it. But somebody from Cadillac Fairview will take an entirely different point of view.

It might entice them back, I do not know, but to be frank I was thinking of the small investor.

Ms. E. J. Smith: It might entice back both the insurance company-type money, bank money, and also the small landlord type who was here earlier today.

Mr. Hallford: If it does that it would be successful.

Ms. E. J. Smith: Yes. I cannot be sure it will entice back all of the market, but it is certainly designed to try to entice back some of the market.

Mr. Hallford: Since we are both guessing at what the effect of the bill will be, I guess I expressed my opinions too.

Ms. E. J. Smith: Yes, it will not entice you back.

Mr. Hallford: Not unless in four years I find friends who build an apartment are happy and are saying: "This is great. I took the risk and I am winning and making a great return." Then, of course, I will join them.

Ms. E.-J. Smith: There is only one other comment I must make and share with you because you have been philosophical and I will be too. So many times in this discussion of housing we seem to jump from those who can afford to pay more down to people who are living in the worst of conditions and with the worst of problems.

We hear people saying, for instance, that no matter who you get into the market you cannot rent for less than \$750 a month and it is too much for the market. Yet we hear other people such as yourself saying they have many tenants in their apartment buildings who are earning \$30,000, \$40,000 or \$50,000 between them. There seems to me to be an overlap there in market and money that people are not addressing.

Mr. Hallford: I take as a basic concept that if we believe everything we read, 30 per cent is about the most you should put into your rental accommodation.

Ms. E.-J. Smith: Even at 25 per cent, \$50,000 looks pretty good.

Mr. Hallford: Yes, and those people who are tenants are happy.

Ms. E.-J. Smith: I hear people such as you say a lot of them are in it.

Mr. Hallford: They are in it to stay. They are tenants and they are happy. They are better off than to buy a house but they are taking a short view. I take another point of view. For instance, if they are on a pension, that is a great way to go.

19:40

Ms. E. J. Smith: But for the future, once again trying to look ahead, I think there are people out there for a market that can and will be developed.

Mr. Hallford: I am sorry, I think--

Ms. E.-J. Smith: I am not saying we are going to solve the social problems but the same thrust is that we are also going to entice some other people back. I am looking at this question of economic buildings and I am hearing this contradiction. You are saying to me that a lot of people in your building could afford such-and-such, and yet on the other hand, you are saying it will never be economic for you to build that sort of a building.

Mr. Hallford: No, of course not. If I was settled into a two-bedroom at \$475, such as we have in Brantford, Sarnia, Windsor--

Ms. E. J. Smith: Granted, no one is going to pay more if he does not have to.

Mr. Hallford: Sure.

Ms. E. J. Smith: We agree on that. I am looking at future markets.

Mr. Hallford: We could not even kick them out at this point.

Ms. E. J. Smith: I am looking at future markets and the hope of new building and getting housing moving again.

Mr. Hallford: But I fail to see how to implement that theory. I just do not follow it. If they are in there now, they are enjoying a very good financial break. They are not going to move out to make their own investment, which is part of our Canadian drive; they are simply contented.

I maintain, though, that if the government is trying to get new buildings to house the people, it is really saying: "We have to clear up the dreadful housing shortage. We have to give good housing for those who are living in one or two rooms downtown somewhere." Those people are at a very low economic level.

A lot of us would be happy to provide the accommodation but not at our cost. Therefore, if we were to build new apartments, and that two-bedroom apartment went for \$700 and they could afford to pay \$250, then the government's social obligation is to provide that housing for them, but not at our expense, at the taxpayers' expense as a whole, in which I share the load.

Right now, I feel that anyone who is in the landlord's position is probably relieving quite a few dollars of the other's burden of taxes. I just thought it should be--

Ms. E. J. Smith: I am just looking at this bill, what we are building into it and hoping for the future for it. I do not think it is designed to resolve the social problems so much as the housing problems. The social problems must be looked at. Believe me, I am not saying they must not be looked at but the bill is definitely designed to draw back people into the housing market.

Mr. Hallford: Right.

Ms. E. J. Smith: That is why I think there is a market. I think there is return in this bill for a market; it is not the total market.

Mr. Davis: Thank you, Mr. Hallford. I apologize, I had to make a phone call but I heard enough of your discussions to say that I totally concur with many of the points you have made that the present government is looking for the magic leprechaun who will run around and deal with some problems.

It seems that from the beginning, even though the government and the minister have indicated that this bill will indeed stimulate the building market, you are about the 15th person who has come before us, both developers and people in your capacity, saying it will not encourage you to invest. The reality of the bill is to provide affordable housing somehow for those who do not have any housing. I do not think the bill does that for the tenants.

The premise that the government and the minister build their case upon in order to stimulate the market is what the minister calls the trickle down or trickle up; he is not quite sure which it is. Do you believe in the theory that says if we can somehow get some developers on stream building more luxurious types of accommodations, a person who is now paying the \$475 is going to move to an apartment building that is now \$800?

Mr. Hallford: There will always be some who like the prestige of the newest and the best. They are the ones who trade their car in every year and get a new Cadillac. It has 18,000 miles on it. They can, so they do. That is not the serious problem in Ontario. That is peanuts.

The problem is the reports you read in the paper day after day of the people suffering because they have no place to go. They are living in hostels and rooming houses. I visited a family with two children; the husband and wife living in one room with a shared bathroom. They paid by the day. That is cruel; it is awful. I think the government has an obligation to provide decent accommodation, not me.

Mr. Davis: And this bill will not do it.

Mr. Hallford: I do not see it, no. It is a palliative and it is a step in the direction we are all hoping will happen. It is very positive in that regard; it simply does not solve the problem.

Mr. Reville: Thank you for your presentation. You have said this is a step in the right direction. The minister has said, however, that rent control is a permanent policy of the government. If that is so, where is the incentive going to come from for investors, given your recommendation?

Mr. Hallford: No one voluntarily walks into a position in which his livelihood, his gamble, his risk are all controlled by the government. We would be fools. It is bad enough sizing up the market, if you have all the choices to make yourself. To say I am going to put it into the hands of a Liberal or a Conservative, and they get out and the New Democratic Party gets in, that frightens me, because bureaucrats do not think like businessmen. They try to be fair and they try to put into legislation what their bosses say to put in.

I was part of this system for three years in Interchange Canada. Bureaucrats have no profit motive, no line at the bottom they must beat. If they have a report that takes them three days, and I think, "My gosh, they should have spent four hours," it does not bother them. They do not think the way we think. They do a good job but with the wrong drive to it, that is all. They deal with legislation, which almost instinctively sets in a negative reaction against someone who is making money.

If they sense they are producing a bill that will allow me--I should not be personal--allow an investor to make 20 per cent, they will change it. They cannot conceive of that as being fair. They have good incomes, non-ending jobs, everything to keep them comfortable and undisturbed, so they do not think the way I think. Yet when you ask them how they are going to use their money, if they save any, they will go for AGF or Templeton. You know what they get: 18 per cent on one and 22 per cent on the other.

They think that is okay for them but not for me, the one who is taking the chance. That is too lush, too generous. They squeeze you down. When you deal with bureaucracies, you see what happens.

Mr. Reville: There are indeed some bureaucrats in the room. I am not sure quite they are reacting to this. I have watched their eyes.

Mr. Hallford: They recognize the symptoms.

Mr. Reville: They all have 18 per cent investments. I know that. I can feel that coming through.

Mr. Hallford: They are wise if they do.

Mr. Ramsay: Church is probably doing better than that.

Mr. Hallford: That is a good way to go, but they do not seem to think that way when they are thinking of apartments. It is as simple as that.

Mr. Chairman: Mr. Hallford, thank you very much for your presentation.

Mr. Hallford: Thank you, ladies and gentlemen. I appreciate the chance of being able to talk with you.

Mr. Chairman: The next presentation is by Mr. Peteranac. We are pleased you are here. Go ahead with your presentation.

19:50

ZVONKO PETERANAC

Mr. Peteranac: Thank you very much for allowing me this opportunity to come to present my point of view. I am a small landlord. I own only 13 units. I want to present my opinion of the current legislation, Bill 78, as well as the proposed legislation, Bill 51, from the point of view of the investor, the landlord.

Wage and price controls are now history, but controls are still with us. Why do we still have controls and why are they rent controls? Why do we not have some other controls? To me, this is outright discrimination. One sector of the economy is being subjected to controls while no other sector is. It appears to me that rent control is not in existence because of economic reasons. It is in existence for political reasons--tenants are more numerous than landlords.

Both Bill 78 and the current rent control bill being proposed, Bill 51, are discriminatory. To me, these two bills are in contravention of human rights because of their discriminatory nature against the landlords. As a result, this legislation or similar legislation should not be in existence in a free economy such as the Canadian model.

In my university years, I studied various economic and political models and systems. I believe the economic and political system existent in Canada should not contain restrictive legislation of the kind embodied in the current rent review legislation and the proposed bill. Both the economic and political freedom of the landlord are compromised, a discriminatory practice.

Why do we have controls on the price of gasoline? To make this presentation, I travelled for about two and a half hours and saw different prices of gasoline, anywhere from more than 37 cents to more than 41 cents. Why do we not have controls in some other situations, such as clothing or food?

Anyone who realistically studied the price and wage controls that existed in Canada in the 1970s can tell you that those controls created more problems than they solved. The same situation is occurring in regard to rent controls. Given the time we have here, I will give you only a few examples. I mention the following.

Controls restrict competition. I am sure this has been mentioned many

times by people in the past week's presentations. As a result, they create inefficiencies. In this type of protectionism, the landlord is not willing to innovate nor is he willing or able to maintain the rental premises in good order.

Income is being restricted. As you know, we have had high inflation, in the order of 10 per cent or so, in the past few years, while rent increases were at six per cent and then four per cent. It is true that the new legislation is attempting--and I emphasize "attempting"--to alleviate this problem, but the difference between the amount of inflation and the cost of borrowing and the amount of rent increases that may be proposed is still too large.

You are all aware that until one or two years ago money markets were such that they were against the landlord. They were against the borrower. We have seen borrowing rates in excess of 12 per cent for a number of years while, I emphasize again, rent control was pegged. This fact alone--one situation fixed and the other flexible--does not make much economic sense.

It is a well-known fact, even to an economic neophyte, that restricted or controlled competition creates black market situations. Recall, in terms of the current legislation, landlords asking for large amounts of money up front, for key money, finders' fees, etc. I am a landlord and I am dissatisfied. I am dissatisfied because of the discrimination that exists or is being proposed in Bill 51.

Present and currently proposed legislation also discriminates against the landlords in another way, as a human and as a person who should have equal rights as any member of a society. If a prospective tenant wants to live in a particular apartment building owned by a particular landlord, under these two bills, Bill 78 and Bill 51, a tenant cannot be refused or, if refused, problems can arise. On the other hand, tenants cannot be coerced to live in my building. It seems to me that rights apply in one direction only--for the tenant. Similarly, if a landlord wants to evict a tenant, it is a long and costly process and it takes a lot of effort and time by the landlord.

Rent controls eventually go out of control, and new legislation has to replace the old, as is currently being shown. Bill 78 is being replaced or amended by Bill 51. To me, this is economically inefficient. Let the free market determine prevailing situations. If the government wants a social reform or an economically altered situation of rental accommodations at lower rates than economically dictated, let the government enter into rental field accommodations and provide them to all the people who would like to utilize the rental services. Either provide government accommodations or let us free the market.

Mr. Chairman: Thank you, Mr. Peteranac, for your presentation. Are there any questions from members of the committee?

Mr. Reville: Thank you for your presentation, sir. Are you a member of any landlord group?

Mr. Peteranac: No.

Mr. Reville: You do not belong to the Multiple Dwelling Standards Association or the Fair Rental Policy Organization of Ontario?

Mr. Peteranac: No.

Mr. Taylor: You mentioned it took you two and a half hours to travel here. Did I hear you correctly?

Mr. Peteranac: Correct.

Mr. Taylor: Where are your units?

Mr. Peteranac: I live in Palmerston, which is in the northwestern area of Ontario.

Mr. Taylor: The reason I ask is that we have so much that is Toronto and big-city oriented. Perhaps there is a different perception in the countryside when you get out of Toronto. Have you any comment on that? I am interested in where your units might be and whether the conditions that prevail in Toronto may not be the same conditions in your part of the province.

You mentioned other commodities that may be equally as essential. I do not think you mentioned bread and milk, but you mentioned food and clothing. We have the Ontario Milk Marketing Board and the Canadian Dairy Commission, and the producers fix the prices. It is a milk cartel, I suppose. Milk is an essential commodity as part of our food. You made reference to other commodities that might be equally important, and yet there is no external control that would punish the producer the way we have projected rent controls to the landlord. Could you comment a little more on the condition outside Toronto or the larger cities, please?

20:00

Mr. Peteranac: Okay. Your choice of the words "punishment of the landlord" in these two acts is very appropriate. I would say that the punishment occurs in the outlying areas. By the standards of Toronto, we in Palmerston are in Biafra. We are in economic desolation.

Our rents, of course, are much lower. The rent, for example, for a two-bedroom apartment where the tenant will pay for everything, supplying his own refrigerator and stove and paying for the heat, hydro, etc., would be approximately \$200 to \$300.

The pay for those people working in the industries that are prevalent in the area is correspondingly lower, but some things are much higher. For example, I have two buildings. One containing five units is in Palmerston, a community of 2,000 people. The other is in Harriston, which is only about 10 kilometres away; there are eight units there. The tax is pretty high; I would say probably just as high as it is here. The electricity is more expensive for heating; the energy is more expensive.

Often the gasoline is more expensive because, let us face it, some of the things are not controlled and there is competition here. There is a gasoline war going on in Toronto. The prices are still high up where we are.

The four per cent ceiling, or whatever fixed percentage is to be applied throughout Ontario, may not be fair. There may be situations where four per cent is not enough, while four per cent may be quite adequate in Palmerston and Harriston.

If I understand what the bill proposes, there is a formula by which a percentage will be arrived at and it will be applied throughout the whole of Ontario. I think it is unfair. The economic situation in one area is different

from that in another, so the rates of increase should be differentiated.

Mr. Taylor: Is the housing shortage different in different parts of Ontario?

Mr. Peteranac: In our area the shortage is as severe. I am very glad from the point of view of the landlord, and partially I am thankful for rent controls, that people are not building, that the landlords, the investors, are not investing. There is a shortage of vacancies. I do not think the shortage is as severe as it is in Toronto, Hamilton and the other metropolitan areas, but it is still very severe. It is extremely rare that I have any unit unoccupied even for a short time, and often I have a waiting list.

Mr. Taylor: It strikes me that Ontario is a rather big piece of geography with a lot of regionalism and variations--

Mr. Peteranac: Sure.

Mr. Taylor: --and I was wondering whether this was the type of thing that could be pursued on a local option basis.

Mr. Peteranac: That is a possibility. To me, that merits some research; there is no doubt about it. As you say, Ontario is a very diverse economic situation, and when you have a flat formula of four or five per cent that applies across the board, it is not fair to some areas and it may be better to others.

This is where rent controls or any kind of controls fails. In the rigid economy of the Soviet Union or the communist model, one of the reasons they have problems is that, as the gentleman before me mentioned, you have a particular kind of person who makes a decision--and I am sure they make decisions to be fair, in all honesty and sincerity--and they see the situation one way while the investor, the entrepreneur, sees it another. There are too many variables, and we just do not have enough data coming in to say, "Okay, now four per cent or five per cent or 3.8 per cent is sufficient," or even for us to govern such a sensitive situation, even as narrow as the market of rental accommodations.

Mr. Taylor: You touched on a difference in value. She was talking in a philosophical sense about the values of people varying from one part of Ontario to another.

In my part of eastern Ontario, for example, there are some who choose to live in very modest dwelling accommodation but appreciate other things. They would rather spend their money on snowmobiles and maybe a summer cottage and a boat and that kind of thing. Therefore, affordability is a flexible word as well. I am not suggesting that my riding is composed of the wealthy. On the contrary, the people are of very modest means. They have a different set of values in many cases in terms of the choices as to where that money is to be spent.

I am interested in your comment on legislation that might provide more potential for flexibility, depending on what part of the province one lived in.

Mr. Peteranac: That would be a move in the right direction. Nevertheless, a bunch of people cannot get together and look out at the economic situation now and say, "This is what will be fair to everybody," maybe by having differentiated rates or something. Six months or two years or

five years down the road, the situation changes and the people change themselves. The situation is always in flux. I cannot see how a very flexible, very flux-oriented situation such as accommodations for living can be controlled by legislation.

Mr. Taylor: The landlords have come here and have said, "You are not helping us." The tenants have come here and said, "You are not doing this for us." As a matter of fact, there was one group that said, "You have created a gravy train and the landlord has the ladle."

Mr. Peteranac: That is right.

Mr. Taylor: Then what we are doing is creating legislation for the politician.

Mr. Peteranac: That is right; I agree.

Mr. Taylor: I gather that is the message in your submission. You try and let the politician off the hook and have him survive.

Mr. Peteranac: That is correct. The tenants are more numerous than the landlords. Why do we not control the price of gasoline?

Mr. Davis: We tried.

Mr. Peteranac: I do not whether we tried or not. That is because the oil people's money controls the purse of the political parties.

Mr. Reville: Some, not all.

Mr. Taylor: We have a tiger by the tail.

Ms. E. J. Smith: About the last comment, I remind you that we have heard before that tenants are more numerous than landlords, the implication being that all we are looking at is votes and numbers. I remind you that the committee that worked on this bill for many weeks and brought it forward was equally divided--half landlords, half tenants. We made every effort to balance that before we went any further.

Mr. Peteranac: In other words, what you are saying is that it was an equal division; so a compromise arose, which, as Mr. Taylor points out, satisfies no one.

Ms. E. J. Smith: There was a compromise, absolutely. It is not heaven for either side; it is somewhere in the middle, I agree. I am only responding to your comment about numbers.

Going to other numbers, you talked about the four per cent, six per cent and the new formula of such and such a per cent. The four and six per cent were permitted maximums without going to rent review. If you look at the statistics, over many years landlords went to rent review at regular intervals and got different figures based on their individual needs. Did you go to rent review and get your rent adjusted?

Mr. Peteranac: Yes, and I got annihilated.

Ms. E. J. Smith: You did not get it on the basis of--

20:10

Mr. Peteranac: Oh, I got it, but basically I felt annihilated. I went to rent review when the interest rate on a mortgage on one of my apartment buildings went from 10.25 per cent to 18.75 per cent. As a landlord, I looked at the situation and said: "What do I do? Do I go for six-month money when I really do not have an option?" That was the cheapest route. "Do I go for one-year money? Do I go for two, three, four or five?"

I do not know whether this was just pure luck or some knowledge, but I went for one-year money and fortunately the rates came down. If somebody had gone for five-year money, those tenants would be suffering as a result. It is not fair to the tenants either. That is why I am saying I do not think this bill is as fair to one side--from the point of view of numbers and so on, on average, I think tenants have more rights, but the hurt occurs both ways.

Ms. E. J. Smith: The numbers we are dealing with are more flexible than you indicate in what you are asking.

Mr. Peteranac: What do you mean?

Ms. E. J. Smith: It is not a straight four per cent or six per cent.

Mr. Peteranac: Is it not four? For all intents and purposes it is. It takes a lot of time and effort.

Ms. E. J. Smith: That is not the information we have in front of us, which indicates that people who have been to rent review have got eight, 10 and sometimes 12 per cent.

Mr. Peteranac: Largely, the landlords did not go to rent review because of the time and bother involved. They thought perhaps the situation would pass and something would happen. As you know, wage and price controls were here; they came and they went. A lot of landlords, including myself, were under the impression that this control would expire as well. Why is it not expiring? As I tried to point out, it is discrimination of the first kind. Why does it still persist?

Ms. E. J. Smith: For now it is because we definitely have a situation in hand for it. If the system is there for people to come and they do not come, that is beyond our control. This is if there were a rent review situation and they did not bother to come. Another gentleman who was here this afternoon said he did not come for rent review because even had he got an increase, he would not have been able to get more; his rent was at the level he could collect from the tenants. In the free market system, so to speak, his rent was what tenants were willing to pay. I wonder whether part of your situation in Palmerston is consumer demand to some extent.

Mr. Peteranac: There is no doubt that to some extent it is consumer demand. I am speaking of the 13 units I have. Out of the total number of units, that is a large percentage in the two towns because they are very small towns. From my point of view, I find that for a very large percentage, probably in the order of 80 per cent, one person can occupy a two-bedroom situation. To me, they are obtaining the units at a discount. They are obtaining accommodation at such a cheap price that they can afford the luxury of having a room that just stands there so the mother-in-law or the friend can come.

Ms. E. J. Smith: That is all a product of the free enterprise system in Palmerston as it has worked out right now.

Mr. Peteranac: If we were allowed to increase the rents to the current market value in Palmerston, those rents should be such that a single person would have only one bedroom. That would be all he could afford.

Ms. E. J. Smith: Perhaps you could have gone to rent review and got them hoisted.

Mr. Peteranac: Let me present this question to you. I do not know whether this has been answered, and I do not remember reading it anywhere in the proposed legislation. Let us suppose an apartment building is sold by one person to another. The original landlord might have had a first mortgage of \$100,000 because he had bought the building earlier. Mortgages have come down, of course. The new person buys the building and he has to obtain another \$30,000 to purchase it. However, now the situation does not lend itself to a positive transferral. What possibility has this landlord to go to rent review or the proposed situation you have here to alleviate the situation and the problem of the cash flow? I do not think that is addressed.

Ms. E. J. Smith: Looking at the illustration you give, the person who has sold had it at a lower mortgage rate, and assuming he is selling at a profit, the new person coming on is looking at the market. I would have to have a reason to know he is--

Mr. Peteranac: Are you trying to say the rent review would not allow an increase?

Ms. E. J. Smith: I am saying the new person knows what he is buying, including what the rent is.

Mr. Peteranac: I can understand that, and I agree, but what I am saying is that the person before him was in a positive cash flow and the person who has bought now is not.

Ms. E. J. Smith: I do not know which one I am supposed to be feeling sorry for.

Mr. Peteranac: I do not think you should be feeling sorry for anyone, but you should be equitable. I do not think there is anything to do with sorriness here. Equitability is the operating word here. I think economic equitability and the social responsibility of the government should be to provide a certain necessary level of accommodation to people and not shunt the building to someone else.

Ms. E. J. Smith: I think we are trying to look to the needs of both in this. As a matter of interest which may have some bearing down the road, because as you say, markets go up and down, I remind you that this bill provides for an allowable rent that adjusts with inflation. Depending on the market, the tenants you have and your own wishes, you do not have to go to the maximum you are permitted, and yet the maximum will be automatically adjusted in keeping with inflation and reasonable investment standards. Therefore, the market situation will enter in there too. You yourself have gone with and may already be in that factor. You might have gone to rent review, but you would still have to rent at the rent you can get. So you would be renting at less than you might have been allowed anyhow.

Mr. Peteranac: I think there are good landlords in the area who might feel the same way; they do not go because they find a concrete wall.

Ms. E. J. Smith: They could not get the rent anyway.

Mr. Peteranac: Market value is depressed.

Ms. E. J. Smith: The free enterprise system may get involved with this bill too.

Mr. Peteranac: I hope so.

Mr. Hennessy: Some comments were made by Mr. Taylor. I think the reason the bill is here is that the New Democratic Party and the Conservative Party would not accept the present bill when it was brought into the House, because they felt it was not helping anybody. It is going to cause a lot more problems than you have now. With tenants and landlords coming in, you have both sides against the bill to some extent.

It is not going to provide housing, which we definitely need. It is not going to lower rents. Therefore, you are right when you said that, regardless of what my colleague has said, you cannot sing and dance at the same time. You cannot have it both ways, and that is what we are trying to do. We are trying to bring in a bill. The only guy who could do that is up above us.

Mr. Peteranac: That is right. I could satisfy everybody: Use a computer as a helper.

Mr. Ramsay: Do you mean Peterson?

Mr. Hennessy: That is the main reason we are here now. If you give him a robe and a pair of sandals, he would pass for whatever. That is the way it is now. The bill would not be in committee if it were such a good bill. It is because the NDP and ourselves would not support it and therefore the government would have lost the bill; so it had to concede and have public meetings. The way it is going now, you do not know which way to turn.

20:20

Mr. Peteranac: I agree with you 100 per cent when you say the current legislation is definitely a failure, and we are having proposed Bill 51 because of that recognition. Everybody should be able to see that.

Mr. Hennessy: It is like trying to salvage the Titanic.

Mr. Peteranac: That is right. Can I ask Mrs. Smith a question?

Mr. Chairman: You can try.

Mr. Hennessy: As long as you do not ask for money, you are all right.

Mr. Chairman: Go ahead.

Mr. Peteranac: I have not had an opportunity to come to listen to all the presentations. Unfortunately, the miserable 13 units that I have do not provide me the luxurious living I would like so I can come to listen to things such as this.

What is the purpose of this bill? What is it trying to solve? As I pointed out in my presentation, my impression is that it is not trying to solve an economic situation, but it is trying to solve a political situation and possibly a sociological one, a social situation.

Ms. E. J. Smith: First, I remind you that it is part of a major platform in housing. In other words, this is only one portion of our housing thrust, this rental housing. We recognize and we are often reminded of our responsibilities on the social plane. I fully accept those. One has to determine what and where those are, but this bill is not the only thing that is looking at social housing. Part of the recommendation for this bill was that the thrust in social housing be increased. That is another part of the puzzle. Obviously, you will not solve all the social housing problems with this bill. I think we would be very foolish if we thought we would.

It is hoped that this bill will reverse the trend that has come with the last inadequate bill of almost no money coming into the rental market. I recognize that the investors' and entrepreneurs' money will not be drawn in and should not be expected to be drawn into the social programs per se, unless there is some social program such as some of these others that make it attractive to them. Investors invest for investment's sake.

Mr. Taylor: There is a simpler answer.

Ms. E. J. Smith: We are trying to make it attractive to them.

Mr. Taylor: There is a simple answer. It is part of the Liberal-NDP accord, and you know it. Here we are fiddling with that delicate balance.

Ms. E. J. Smith: I remind you that we are all trying to recover from a Conservative bill.

Mr. Davis: We are going to put a four per cent return on all investments and see how you like it.

Mr. Peteranac: That is an idea.

Mr. Chairman: Mr. Peteranac, thank you very much for appearing before the committee. You can see that you have stimulated interest among the members of the committee, and we thank you for making a presentation.

Mr. Hennessy: It is lucky you did not start a fight.

Mr. Peteranac: Thank you very much.

Interjection: This is getting very partisan.

Mr. Chairman: I do not know what partisanship is doing in a place such as this.

Interjection: Grow up.

Mr. Taylor: We do not want politics mixed up in this.

Mr. Chairman: That is right. This is the wrong building for partisan politics.

The next presentation is by Ken Mason, who is the spokesperson for the Faulty Towers Tenants' Association. Faulty Towers. You heard it right.

Mr. Ramsay: On a point of clarification, Mr. Chairman: Before Mr. Mason starts, I would like to ask where Faulty Towers is.

Mr. Mason: It is at 428 Lawrence Avenue West, which is a block and a half east of Bathurst on the north side of Lawrence.

Mr. Ramsay: That is the name of the building?

Mr. Mason: No. It is actually called Elsie Court, except that because of the poor maintenance of the building, several of the letters have fallen off and a few of the tenants have guessed that it was originally called Elysium Court, which would have meant a place of bliss and delight. The name of the tenants' association we chose was a play on words.

Mr. Ramsay: Thank you very much.

Mr. Chairman: Thank you, Mr. Ramsay. Mr. Mason, if you wish to proceed with your presentation.

FAULTY TOWERS TENANTS' ASSOCIATION

Mr. Mason: The Faulty Towers Tenants' Association is an association of four units in an eightplex. In my opinion, this is an excellent example of what is now going on in the small end of the market. The reason there are only four of the eight units in the association is that the owner of the building, who is an elderly man in his 80s, and his son occupy two of the units. The landlord rented one of the units to someone who was a friend of his and anti-association. In the other unit is an old lady who is afraid of the son; so she has not joined our association. This is all the available man and female power in the building.

Mr. Chairman: Most of the members of this committee understand the difficulties of organization.

Mr. Mason: All right. The rents in the building are in the lower \$500s for the two-bedrooms and \$450 for the one-bedroom. I gather the one-bedroom is a little expensive and the two-bedrooms are about average for the city.

Our situation is extremely complicated, because it is a complicated family-run building. The old man is the actual owner. We did a title search to find out, because there are four people involved, each of whom claims he or she is the owner.

Mr. Reville: Do you have to write four rent cheques?

Mr. Mason: We have managed to avoid that. The old man in the basement, who is not able to get about too well, has given over the so-called management of the building to his son, who is not exactly the world's most capable manager. To complete the cast of characters, we have the son's mother, who used to be married to the owner, and her husband, the stepfather. All four of these little characters claim they own the building, and they go about issuing orders, both written and verbal.

Mr. Taylor: Consistent or otherwise?

Mr. Mason: Wait. There is a fifth character, the lawyer. None of the hands knows what the other hands are doing, except occasionally two of them

will get together and decide on an action while the others do not know what is going on. Everything has the old man's signature with a pencilled "X" in front of it.

Here is an example of what appears to be occurring. Let me stick to exact things. I am the third one out of the four to get his notice of eviction. This is a good way of getting rid of a tenants' association. It claimed that I had done \$1,000 worth of damage in the building. I have evidence that I have put in \$1,400 worth of actual improvements in the my apartment.

I went down to the old man, who is the owner of the building; his was the only name and signature to appear on the eviction notice. This is a serious matter. When a tenant receives an eviction notice and he looks at the current housing market, it is a cause for fear. I knocked on the owner's door and asked him, "What damages have I done?" I was told: "I do not know. Ask my son." I said, "But it is your name that appears on the document." He said, "I do not know," and he slammed the door in my face.

Several hours later, I was sitting having what I thought was going to be a quiet meal. This was in the early evening. Bang, bang, bang. It was as if the whole building was about to fall down. It was the son, who was yelling and screaming in the hallway at me. Thank God, I had the door locked. He was saying: "Stay away from my father. You have no right to talk to my father." I said: "Your father is the owner of the building. What do you mean, I have no right?" Bang, bang, bang. Of course, this did not exactly improve my digestion, so I went out for the evening. A few hours later I came home to another scene. This is quite typical of the management in this building.

20:30

I saw the police standing in the hallway with the son. The son was very grandiosely waving his copy of my eviction notice and yelling and screaming at the police, which is not a good idea, about how we had formed the tenants' association and the police ought to stop me from going down to talk to his father, the owner of the building. This was about the eighth incident of this sort which had happened to various tenants. The police for the eighth time said: "Look, you are an idiot. You are wasting our time and yours," and they left.

That is a typical day at the Faulty Towers.

Mr. Taylor: That could never happen in Palmerston.

Mr. Mason: No, I do not think so. I would like to read to you several quotes on the nature of the landlord. This is a shell game. Who is the landlord? This is from an eviction trial which the landlord lost ignominiously last October. It is a quote from Judge Keith Gibson in the district court: "The conduct of those who actually managed the premises on behalf of the landlord"--that is, his son and Pearlstein, the stepfather--"leaves much to be desired. It may well be that the landlord, by virtue of his age and recent ill health, is not aware of, and if he had, he would not have condoned, the actions taken in his name by those to whom he had delegated the management of the building."

Here we have a case in which it seems an old man is being taken advantage of by his own son, his ex-wife and the ex-wife's new husband.

A second quote--

Interjection.

Mr. Mason: Anybody I tell this to who gets it right the first time proves an IQ of at least 190--

Mr. Hennessy: Give them a cigar.

Mr. Mason: --and gets a cigar.

Mr. Chairman: Mr. Mason, do you think Bill 51 is going to affect the scenario at Faulty Towers?

Mr. Mason: No, which is the reason I am here. If I thought so, I would not have bothered to come. I have attended a few of these sessions and I have heard all kinds of rhetoric.

Mr. Taylor: What is your amendment?

Mr. Mason: Wait a minute. First, you have to hear a little more about our daily lives. You have heard enough rhetoric and enough moaning. I want to give you some case histories.

I want you to hear what it is like to live in one of the buildings that it looks like this bill includes in the assumptions that: (1) the landlord has an interest in obeying; (2) the landlord keeps adequate records; (3) the landlord-tenant relationships are actually in writing; (4) poor maintenance is due to insufficient rental income--here it is due to simple greed; and (5) the landlord-tenant relationship is an equal one. It is not an equal one; at least, it is not in our case. I want to show these other five things I have identified, looking at the bill, which I do not think addresses our needs.

Let me give you another quote from our legal counsel: "I believe that your fundamental legal problem is that your landlord simply does not appreciate his role and duties in law as a landlord, the apparently unsavoury character with which you are dealing."

The landlord refuses to post his name, who he is or his address. The counsel who was hired, supposedly by the landlord, and who was taking all these illegal actions against us, refuses to identify who his client is. As I understand it, this is a breach of legal ethics. We believe the lawyer is actually representing the stepfather, who is taking all these actions in the name of the old man, who is the actual owner.

Here we are, scratching our heads. We are getting a series of documents. First, we get the pounding on the door at strange hours: "You owe us more money." Then we get continued harassment, the yelling at the door, the pounding on the door. Then we get an eviction notice, and before the eviction notice is over, we get a notice of rent increase. We cannot figure out who is issuing which document, because they are all sticking the document under the nose of the old man with the pencilled "X." He signs and he does not know what he is signing.

Mr. Taylor: It is a war of nerves.

Mr. Mason: It is not only a war of nerves; it has become personal enough that it is affecting my marriage. It is affecting one other marriage in the building, and not in a positive way.

I took "the landlord"--I have to use this phrase in quotes each time--I attempted to take the landlord to the Residential Tenancy Commission in May. I got the son. He had a dozen notes explaining why his father was half dead, and his father was not half dead. I won almost \$100 a month off. Fine. After this action, they hated my guts with a passion. I still had not received my first eviction notice. It is like a rite of passage.

The landlord had what amounted to no records. As his legal counsel euphemistically put it, the records were not exactly of IBM quality. In fact, you could not establish my anniversary date. You could not even establish which tenant had paid for which month. I was in a position in which I had to do all the establishing; it put all the onus on me.

As I understand it, and if I am wrong, I wish someone would tell me otherwise, Bill 51 assumes that the landlord has some sort of comprehensible set of records. The situation placed me in a position where I had to establish every last little fact.

Let us choose the issue of maintenance. Here we have a situation in which the landlord has hired two friends who are actually landscape gardeners, and he is having these landscape gardeners as his plumbing and piling experts. The fun began when he discovered that our association had been formed. We found that his right to enter with 24 hours' written notice was being used against us, to the point where with one tenant, he sent these guys in every day for more than a week, for an hour or two hours. She never knew in advance when the maintenance was supposed to be done, and she has been without a shower for a couple of weeks now. She can knock on the landlord's door, but who is the landlord? It is the shell game again. Whose door do you knock on?

20:40

The quality of the maintenance is so poor that it is very clear, even--and I say "even"--to the property standards inspector. The property standards inspector is an interesting story. Here we get around to the connection between the rents and the maintenance issue. In North York, you can at least get a property standards inspector if you request one. I gather this is not the case in all the boroughs.

The property standards inspector is quite content with a cosmetic fix, which leaves me in a situation where--for example, I have a garage door that always jams. My wife has to leave in the morning. She is a pharmacist. If she is not at work on time, she could get fined heavily. She cannot open the door. It requires a six-foot-eight husky guy to get that door open. We started to leave the door open at night after I managed to heft the door open. My wife would park the car halfway out the garage. It did not block anybody else, but it ensured they could not shut the door on us. As a result, the stepfather started blocking us. My wife exits from the main door in the morning to find that the stepfather has blocked her car from exiting at all.

If you call the police on these matters, it is considered a domestic dispute, as if the landlord and I, God forbid, were in the same family. This is a thought that is horrible to contemplate. You do not get any help from the police, who are reluctant to tow from private land. The private towers will not tow from private land.

In the meantime, the landlord is busy tacking on charges to everybody's rents and saying, "If you do not pay me an extra X number of dollars a month for parking, I am going to have your car tagged and towed," even though he has

been informed by the police that this is illegal. Almost all the tenants in the association find they cannot even use the parking space they are paying for. Because most of the tenancies are not written agreements, you have a shell game with the parking. Did the last tenant have the parking included in his rental agreement? You have to dig up the last tenant. In the meantime, you have either the son or the stepfather blocking you from exiting from your little parking space.

These are the guys to whom this bill is merrily going to give extra money, and we are standing where all we can do every night is think and talk about the aggravation we are going through. Our lives have been--I will not use such a dramatic word as "ruined," but our peace of mind has been ruined. We are trapped because we cannot find alternative accommodation. I go and I answer an ad. I was in the Wednesday Toronto Star in an article in which I complained to a Star reporter: "Here I am in this awful situation. All the landlords I hear are saying, 'If you do not like it, you can always move to another place.'" Fine. That is \$5,000 in key money. I do not have that kind of money, so this is our alternative. We have been backed into a corner.

How would you like it if one day your landlord got a German shepherd, as the son did? He brought in a German shepherd that was up to here on me and he walked this dog around the building for a couple of weeks. This dog inhabits his apartment and scares the hell out of all the tenants. You are reaching a point of no return for your sanity.

I want, as quickly as I can, to read you brief descriptions from the diary of one of the tenants.

Mr. Chairman: My only concern is that you will run out of time at nine o'clock without having completed your tale or having allowed members of the committee to dialogue with you.

Mr. Mason: All right. I suppose I am open to questions now. If the members are interested in hearing an actual blow-by-blow account of one of the tenants' trials and tribulations, which ought to be a bit of a relief after hearing all the emoting, ideology and politics being discussed, fine.

Mr. Cordiano: It is up to you.

Mr. Ramsay: The diary sounds pretty good to me, Mr. Chairman.

Mr. Cordiano: It should be up to the witness.

Mr. Chairman: I am just letting the witness know that there is a time limit. He can use that time as he sees fit. Go ahead, Mr. Mason.

Mr. Mason: On December 1, 1983, the tenant moved in at \$500 a month, without a lease. On February 15, 1986, the tenant's two young sons came to live with her. This is not an adults-only building. On February 28, the son came to the tenant's door demanding an immediate rent increase of \$25 a month for extra water used by her sons. The tenant refused to pay this illegal increase, and the son began to yell and scream at her, calling her "Paki" and threatening eviction.

On March 15, 1984, the tenant received an eviction notice, the first of her eviction notices, from Abe, the son, stating that the landlord required the premises for his own use. As the notice was unsigned, had no eviction date and did not use the tenant's proper name, the tenant ignored it. There was no attempt made to implement this notice.

On April 2 and 3, 1985, the tenant received two handwritten notices of a rent increase, effective, retroactively, as of April 1, scrawled on scraps of paper and signed by the son. The tenant replied to those. Several weeks later in April, the son came to the tenant's door and was verbally abusive to her regarding her refusal to pay this increase.

On April 24, 1985, the stepfather came to the tenant's door and demanded immediate payment of the rent increase. The tenant had never heard of this man and had never seen him before. He refused to explain who he was or identify himself, so she said: "I am sorry. This is absurd."

On June 2, 1985, the tenant, together with a few of the other tenants, delivered to the landlord a petition requesting fumigation of the premises for mice. The fumigation was not done until January 1986.

On August 8, 1985, the tenant received a notice of a rent increase of six per cent signed by the stepfather. It was more than four per cent, so the tenant ignored it.

20:50

On October 22, the tenant appeared as a witness in the trial for the attempted eviction of another tenant for exactly the same reason, use of the premises on the part of the landlord. In December 1985, the tenant applied, along with me and another tenant, to the Residential Tenancy Commission to have the rent reduced. In June of this year, the tenant received a second eviction notice, with an eviction date of July 25, claiming a rental arrears of \$140, which is as if they had issued a four per cent instead of a six per cent increase. The tenant had not received a proper notice for this increase and ignored it. This has lapsed now. It is over a month.

On July 4, a tradesman was seen by the tenant across the hall entering this tenant's premises without the tenant's knowledge or permission, using the keys supplied by the son. On July 24, the tenant received a notice of rent increase of four per cent. All the figures in the rent increase were incorrect. They all assume that she had been paying the illegal increase.

As of August 2, we finally got into the maintenance issues. The tenant received a letter from the landlord requesting to enter the premises and suggesting the tenant leave her door unlocked. The tenant would not and replied in a letter. All of a sudden, the next day the tenant received a letter from the son claiming that the tenant owed him money for the repairman's time for the day he wanted the premises entered.

Next, we have on August 7 a demand on the part of the son for increased parking charges. We have proof that the previous tenant had parking included. Then we get into the whole business of the tradesmen appearing or not appearing. Now you see them; now you don't. This is the situation--weeks and weeks of no snow.

This is a good summary of a typical case of our four members. I am open at this point in the few minutes I have with you people to please help us. I am begging you. What are we going to get out of Bill 51 to help us? We are not getting a heck of a lot of assistance with the current situation.

Mr. Chairman: Thank you, Mr. Mason.

Mr. Reville: With a lot of respect--and you have given us a

different kind of presentation, which I appreciate--most of the things you complain of are currently illegal. This bill is not going to change that. A lot of the problems you are having with your landlord are already covered by the Landlord and Tenant Act and are illegal.

Mr. Mason: They are, but try to enforce them. Instead of trying to unify the whole mess, Bill 51 is simply throwing in another monkey-wrench. In the meantime, here we are, and we are going to be in a situation where we are paying even more rent because the landlord is going to go up the limit of whatever he can get. His records are practically nonexistent.

Is it fair to pass bill 51 without first trying to make sense of the uselessness of some of the sections of the Landlord and Tenant Act which, to all intents and purposes, are very difficult or impossible to implement?

Mr. Reville: I do not think you should jump to the conclusion that the majority of this committee has any intention of passing this bill. I do not know whether it does or not; certainly, I do not.

The maintenance provisions of this bill may give you some comfort, but they may not. We do not know. It may be that under the provisions of this bill your landlord would be prevented from collecting a rent increase if it is shown that the maintenance is really crummy, but we are not quite sure how that works. We have to wait until the government shows us its amendments and its regulations before we know that.

The other things you complain about, these notices every other day, are covered currently by the Landlord and Tenant Act. You should just rip them off.

Mr. Mason: In which sections?

Mr. Chairman: It would be helpful to bring Mr. Church into the discussion. The Kent Review Advisory Committee wrestled with the problem of landlord behaviour and licensing and so forth. Mr. Church, would you have a go at that?

Mr. Church: Yes. I have two very quick points, Mr. Mason, where the bill may offer you some opportunities. The first is that it will be our unfortunate task to try to register your landlords.

Mr. Mason: Good luck.

Mr. Church: I do not underestimate the difficulty, given your Addams family story, but the fact of the matter is that we will be registering them within a legal period during the next few months, assuming the Legislature sees fit to pass the first portions of the bill. By necessity, that will produce a rather rude education for your landlords. I am not suggesting that will change their behaviour, but it will certainly reduce their rent roll, given the statement you have made about illegal rent increases.

Mr. Mason: When you are faced with the kind of situation I am describing, will you report the lack of books or the impossible state of the books to Revenue Canada?

Mr. Church: Most assuredly we would look askance at the lack of records and, in fact, insist on the records being established. We would rebuild the records to a very large degree by talking to the tenants and examining the history. It has been the perception of several people before

this committee that we are not doing all that kind of work, but we will most certainly be doing it. I do not pretend that is going to change the behaviour of bad landlords, but it is certainly going to mitigate against them.

Mr. Mason: I have made this a full-time job for the past several months and I have the names of all the previous tenants. You have to be prepared to deal with an elderly man with a very conveniently poor memory. I suggest you would have to hire a private investigator because there is not any other way you are going to locate it.

Mr. Church: Yes. It is quite conceivable that we will have those difficulties. It is equally clear that this is not a unique case. One of the things we recognize and one of the things we have budgeted for is this kind of difficulty in a percentage of cases.

There is a second factor, which was referred to by the chairman, whereby we can at least hold out some hope, but as Mr. Reville pointed out, it is still just hope. The Rent Review Advisory Committee is still very much seized of the maintenance board provisions contained in the bill. The bill is simply enabling legislation, but the RRAC is planning to recommend to the government a series of regulations which would give teeth to those provisions.

21:00

One of the things the committee is considering is establishing a standard of practice that landlords would have to meet for maintenance and other similar activities. Their failure to do so would result in a variety of legal repercussions that are not now available through the Landlord and Tenant Act or through the Residential Tenancies Act. I cannot tell you what they are because they are still considering them, but the problems that you have raised have been raised, perhaps not in quite so drastic a form, with the committee in the past and the committee is looking at a variety of ways to weed out bad landlords. There is still, at least in my view, a real hope that the Rent Review Advisory Committee will recommend to us, or in the failure of RRAC to recommend to us that the government will discover, a method to deal with landlords who are breaking all the standards of decency.

Mr. Mason: We now have three routes. We have this set of standards you are speaking of setting up. We have the borough inspector and his standards. We have the option, if we have the money, of going under section 96 with our own lawyer to court. I imagine all these things are going to interact in a rather creative, albeit confusing, manner for the tenant. How do I know that you are not just introducing another set of confusions and complexities?

Mr. Church: Of course, you do not. The key to this whole process is that it is patently obvious that there is an extremely high level of scepticism among both landlords and tenants about the whole business of rent review and rent regulation. That is the main reason the government has chosen to depend on this set of landlord and tenant leaders to provide some rationale that, while it is certainly not going to produce agreement, might produce some solutions.

Mr. Chairman: Mr. Davis, help us out in our debate here.

Mr. Davis: I want to clarify something with Mr. Church. Our delegation gave us a specific case and suggested that in trying to place the individual landlord on rent review--is that it at the moment?

Mr. Church: Currently?

Mr. Davis: No, the new one, where we are going to get this fellow's landlord.

Mr. Church: The registry.

Mr. Davis: The government might have to hire private detectives. Did I hear you say that?

Mr. Church: He suggested investigators.

Mr. Davis: And you said maybe?

Mr. Church: I quickly hurry to say not private investigators. In the nature of things, compliance officers will be hired by the government and they will be carrying out investigations.

Mr. Taylor: They do not call them gunshoes or private detectives; they call them--

Mr. Church: I should point out before we get too far down that line that this is not a departure in principle from the present legislation, where there is one such officer, but rather a departure in percentages. We will have quite a number of officers.

Mr. Davis: Are you going to use them to track down tenants too?

Mr. Church: If it is necessary to speak to prior tenants to establish the facts required for the rent registry, then indeed we will.

Mr. Mason: That is absurd, if you will excuse me. It means you are going to have to do it in a significant number of cases and not just in one building. If you are at the "if" stage, with all due respect, I wonder how much you have thought this through.

Mr. Church: We have thought it through very extensively. That it is an intimidating challenge is absolutely clear. We cannot walk away from it. The fact of the matter is we are going to register all buildings with six units or more in the immediate future and in doing that we are going to have some very grave difficulties with the fringe landlords, and you are talking about a fringe landlord. We will have no difficulty at all registering--

Mr. Reville: Beyond the fringe, I suggest.

Mr. Church: Possibly beyond the fringe, in the twilight zone.

Mr. Mason: How far back are you going? Are you talking about back to 1976?

Mr. Church: It is quite conceivable that in some instances it will be necessary to do so. In your instance it will not be. You had your rent records. You have demonstrated that you can prove that there have been illegal increases. It will then be a matter of adjudicating the degree to which it is going to be necessary to change that landlord's rent practices. It is going to be one hell of a job.

Mr. Taylor: Have you postulated the extent of the bureaucratic empire, the staff and the financial involvement?

Mr. Davis: It is called patronage.

Mr. Church: Yes, sir, we have, and it is certainly not patronage; it is all according to the civil service rules, Mr. Davis.

Mr. Taylor: What are you speculating in terms of additional personnel and cost?

Mr. Church: At the moment, we are contemplating that the cost of the total package in Bill 51 will be approximately \$20 million a year.

Mr. Taylor: That \$20 million would subsidize a lot of well-deserving and needy tenants rather than go through this exercise.

Mr. Hennessy: Why do you not build homes instead?

Mr. Church: There is no question that to institute a system in which legal rents are registered will cost us a good deal of funds.

Mr. Davis: I was just going to ask a final supplementary to that question. I noticed from the deputy minister and from the minister the other day that eventually they will also attempt to register individuals who have basement apartments and so on. Would I assume then that these individual detectives, gunshoes, or special inspectors, whatever you want to call them, will also investigate those people?

Mr. Reville: Rent police.

Mr. Davis: Rent police, yes. I like that. Will we also have rent police checking out those people?

Mr. Church: I am sure you like it, but it is compliance officer, sir.

Mr. Davis: I like rent police better.

Mr. Church: I am sure you do.

Mr. Taylor: Compliance officers in jackboots.

Mr. Davis: We would liken them to that as well.

Mr. Church: No. I do not for a minute pretend that we are going to have to chase every landlord to the degree that we are going to have to chase the case that has been alleged here, but neither do I pretend that every one of the 330,000 landlords in Ontario will voluntarily come to rent registry. We have set up an act which we, the tenants and the Rent Review Advisory Committee believe will bring the vast majority of units to registration without much difficulty in the first year. Here we are talking about somewhere in excess of 700,000 units. The remaining 300,000 units will be an interesting challenge, and we will devote the resources the Treasurer (Mr. Nixon) makes available to us to do so.

Mr. Davis: Did somebody not write a book about this once? It was supposed to happen last year.

Mr. Chairman: Two years ago, I believe.

Mr. Mason, thank you very much for coming before the committee. You have stimulated lots of good discussion and we appreciate your presence here this evening.

We are adjourned till one o'clock tomorrow afternoon.

The committee adjourned at 9:07 p.m.

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

RESIDENTIAL RENT REGULATION ACT

WEDNESDAY, SEPTEMBER 3, 1986

Afternoon Sitting



CHAIRMAN: Laughren, F. (Nickel Belt NDP)
VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)
Bernier, L. (Kenora PC)
Cordiano, J. (Downsview L)
Epp, H. A. (Waterloo North L)
Knight, D. S. (Halton-Burlington L)
Pierce, F. J. (Rainy River PC)
Reville, D. (Riverdale NDP)
Smith, E. J. (London South L)
Stevenson, K. R. (Durham-York PC)
Taylor, J. A. (Prince Edward-Lennox PC)

Substitutions:

Davis, W. C. (Scarborough Centre PC) for Mr. Bernier
Miller, G. I. (Haldimand-Norfolk L) for Mr. Epp

Clerk: Decker, T.

Staff:

Richmond, J. M., Research Officer, Legislative Research Service

Witnesses:

From Parkdale Community Legal Services:

Mahoney, E., Community Legal Worker

From the Ministry of Housing:

Church, G., Assistant Deputy Minister, Corporate Resources and
Building Industry Development
Stratford, L. A., Senior Solicitor, Rent Review Division

From Kenair Apartments Ltd.:

Aitchison, D. G., Controller
Schmidt, R. A., Property Manager

From the 41 Dundonald Tenants' Association:

Somerville, H. W., Chairman

From Trivest Developments Ltd.:

Cornblum, R., Property Manager and Project Manager

From the Urban Development Institute:

Grossman, S., Chairman, Apartment Group
Jaffary, K. D., General Counsel; with Houser, Henry, Loudon and Syron

From the Sandycove Acres Home Owners' Association:

Lea, D., President
Stelling, J.
Burkholder, P.

From the Toronto Apartment Buildings Company Ltd.:

Doumani, R. G., Legal Counsel; with Gardiner, Roberts

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Wednesday, September 3, 1986

The committee met at 1:16 p.m. in room 228.

RESIDENTIAL RENT REVIEW ACT
(continued)

Consideration of Bill 51, An Act to provide for the Regulation of Rents charged for Rental Units in Residential Complexes.

Mr. Chairman: The standing committee on resources development will come to order. We have a full slate this afternoon, so we should move right into it.

I have an announcement for members of the committee. Tomorrow, because of the numbers we expect, the afternoon hearings will not be held here; they will be held across Queen's Park Crescent, in room 2172 of the medical sciences building. We will post that, we will distribute a memo, we will let the press gallery know and we will put an easel stand outside to direct people. I do not know what else we can do. It will be in room 2172 tomorrow afternoon between one and five. It is the medical sciences building at 1 King's College Circle. This memo has been distributed to tell the members that.

The room holds about 140 people. We think that will be appropriate, but it is sort of a wild-card game; we do not really know what to expect. We will cope with it as best we can. We shall return to this room for the evening session. Tomorrow afternoon we will be over at the medical sciences building, and we will post notices in the medical sciences building as well for direction to room 2172, which is a lecture hall.

As I say, we have a full schedule this afternoon, so we should move right into the first one, the Parkdale Community Legal Services. I believe they are here. It is exhibit 61, which I think has been distributed. If you will identify yourself, sit down and make yourself comfortable, the committee is ready for your presentation.

PARKDALE COMMUNITY LEGAL SERVICES

Ms. Mahoney: Thank you. My name is Elinor Mahoney. I am a community legal worker at Parkdale Community Legal Services.

Since we were unable to get our brief finalized and approved by the board of directors until just a few scant days ago, I thought perhaps I would take you through the brief but make an effort to summarize the points rather than do a straight reading. If I go too fast for people or if there are any questions, I am sure there will be some time at the end to handle those.

I should probably tell you a little about the community we serve. We serve primarily tenants in the south of Parkdale. Tenants comprise about 85 to 90 per cent of the people who live in south Parkdale. The tenants we serve are primarily low-income to middle-income tenants, living in pre-1976 buildings. As such, the majority of our clients have been covered under rent review since it began in 1975.

The tenants who seek our assistance are recent immigrants, senior citizens, members of the working poor, ex-psychiatric patients, single parents and other people who are on fixed incomes. Of the housing problems they face, probably the most important one is the lack of affordability, but there is also poor maintenance and repair and a lack of housing options, which means lack of variety of housing and lack of supply.

Essentially, we have been pleased with some of the initiatives taken by the ministry and government, which are some small steps to protect existing housing. Today we are going to concentrate on Bill 51 and what we think it would mean to our clients and our community.

The problem we see with Bill 51 is that it attempts to do too much with one piece of legislation. It attempts to address the supply problem through legislation that is intended to regulate rents. I quoted from the ministry handout. It attempts to "encourage the construction of new rental units by making rental housing competitive with similar risk investment." We think this is an inappropriate policy direction for a piece of rental regulation legislation to try to encapsulate.

The rationale assumes that if you make the private market more lucrative, more people will get into it, both as landlords and as suppliers of new construction. The problem is that the new construction we envision coming on board will not be affordable; it will be what we have had for the past 10 years, when all new construction on the market has had no rent controls whatsoever. It has not been affordable, which is why people are crammed into the controlled apartments that are affordable. Clearly, they cannot afford to live in new rental and rental-for-profit construction.

The affordability crisis is acute, especially in Parkdale. I have given you some statistics on page 2 about the affordability crisis as we see it in Toronto and in Parkdale. I will read the Parkdale example for you.

"Many of our clients rely on social assistance programs as their sole source of income.... The majority of these households pay between 50 and 80 per cent of their monthly benefits for rent."

If someone has a salary of \$50,000 a year and pays 50 per cent of it on his housing charge, one might say he has a fair amount left over. But when you are talking about people at the bottom of the economic barrel and you see such a large percentage being spent on their accommodation, the problem is very acute. There is not enough money left to pay for the basics.

"An ex-psychiatric patient living on welfare may have as little as \$40 a month to cover clothing, transportation and all other personal expenses.... Even with rent controls in effect, the gap between income and the cost of housing is increasing." It is not decreasing; it is getting worse.

Our main point is that affordability must not be compromised further. It has already been compromised enough to encourage the creation of new housing which, as we shall show at the conclusion of our brief, if provided by the private market, will be beyond the means of the tenants for whom it is intended. One piece of legislation cannot handle both the supply and the affordability problems. We think Bill 51 should deal with the affordability problem, essentially.

We think the bill is salvageable. We have heard some people come forward to the committee who think Bill 51 must be stopped. We think it is salvageable

if the government has the political will to address the affordability problem with this bill and to leave the supply problem to other legislation and other incentive programs.

We have divided the bill into several areas. We will address and make specific recommendations in those areas.

With regard to chronically depressed rents, I do not think at this point I have to tell you what they mean. They mean extra money will be taken out of the pockets of tenants and put into the pockets of landlords so they will be able to increase their rate of return on the buildings. This will not affect the quality of the housing stock that is deemed chronically depressed. The ministry's own study shows that most chronically depressed buildings are in good repair. It will not provide extra service for the tenants; it will merely provide extra profit for the landlords. We are not against extra profit for the landlords, but we are against extra profit for the landlords at the expense of economic hardship of our tenant and our clients.

We think the notion of chronically depressed rents is akin to price-fixing. It says that there is something logical about the market and that we should bring up the other rents to that level. We ask you to delete that whole section from Bill 51. It does not belong there.

The second major area is the rent registry. The rent registry, I would like to remind you people, is something that was promised by the government. Regardless of the fate of Bill 51 and regardless of the tinkering that may happen, it should not be considered as part of a tradeoff for economic fairness to landlords. It should not be discarded, even if Bill 51 is eventually discarded.

We welcome the idea of a rent registry. There are lots of buildings in Parkdale where the rents routinely are raised illegally. It is very difficult for the tenants to find the previous tenants to ascertain this. The rent registry will put a cap, as it were, on illegal rents. We think the principle is a good one; but there are so many problems with this one that it needs to be improved if it is going to be effective at all.

It should be extended to cover roomers and boarders. There is no reason for it not to. I understand the government may introduce an amendment to this effect. It is meaningless to extend the coverage under this act to roomers and boarders unless roomers and boarders are given, in addition, immediate coverage under the Landlord and Tenant Act so they can enforce their rights. If they are going to be evicted for speaking out about an illegal rent, then the rent registry does not offer them any protection at all. We ask for both.

We also note that there is no deadline for landlords of smaller buildings to file their rents. When so much of this bill is addressed to small landlords, it does not make sense for this bill not to provide an effective deadline by which all landlords must submit their rents. That deadline should be the same as the deadline for larger buildings. If this proves to be impractical, at least there should be contained in the act one that is practicable.

The registry does not adequately promote a tenant's right to challenge the legality of a rent. Section 57 requires the minister to investigate the rents filed and compare them with previous rent review orders; however, it does not give the tenant information on how illegal the rent is. At least, that has not been made clear in the current legislation. It also

differentiates between substantive and nonsubstantive rent violations. We hear that if the rents vary by only a prescribed percentage, such as five per cent, the tenant will have less than two years to challenge the rent instead of the two years he would have were the rent increase more substantial.

Essentially, this is saying that landlords who have substantial violations of the past rent review legislation should be treated differently from those who are only minor violators. It says to tenants, "If you have been charged an illegal rent, depending on how much you have been overcharged, your right to get that money back should be less or greater." This is not appropriate; they should all have the same opportunity to challenge a rent regardless of whether they have been overcharged a lot, a little or not at all. No landlord who violates the law, past or present, should be given preferential treatment by the ministry.

The retroactive justification of illegal rents is permitted under the current form of the bill. This is both unworkable and unwarranted. Section 60 allows a landlord to justify an illegal rent on the grounds that, had he gone to rent review under the old act, his cost at the time would have justified the rent now charged. In essence, what it does is set up a process by which the landlord can have a retroactive rent review hearing. We think this is entirely without merit.

The purpose of the rent registry is to identify the rents that were illegal and taken in contravention of the law and to prevent future illegal rent increases. The idea is that we want to protect the affordable housing we have. If we give landlords who broke the law an extra chance to justify the illegal rent increases, it thwarts one of the two main purposes of the rent registry. It is also impracticable. I do not think the new bill is going to want to have a lot of retroactive rent review hearings using the guidelines of the old legislation while introducing new legislation for the rest of the province.

13:30

We are also adamantly opposed to the August 1 amnesty. It is unfair to tenants. Right now tenants can get back six years' worth of overpayments if they paid them in the first place. The amnesty would allow those landlords who register the rents on time to be forgiven for any overpayments charged prior to August 1, 1985. I would like to think that most landlords of this province are going to try to comply with the new legislation, in which they have had some input and which in its proven form is attempting to provide a measure of fairness to them and a measure of recognition of their costs. To offer this kind of carrot to get landlords to comply with the law is unwarranted and is at the expense of tenants who were overcharged upwards of six years and perhaps even 10 years. They ought to be able at least to recover what they have now.

This committee ought not to permit the transference of rights and the minimizing of protection for tenants to get landlords to comply with the law. Also, we believe that such an approach to the illegal rent problem can only cause resentment among honest landlords who complied with the law in the past and who intend to comply with the law in the future. If you start differentiating and making amnesties for people who break the law, you are going to cause a lot of contempt for the new legislation from the outset. It is bad public policy.

The rents registered should be updated annually with no deeming of statutory increases. Again, we are using as a premise the idea that the rent

registry is intended to protect existing affordability. If you deem statutory increases where none may have been taken, you are saying rents ought to be going up by that amount. It is our position that rent increases ought to be landlord-initiated, not government-initiated; therefore, eliminate the deeming of increases wherever it appears in the act, but especially in the registry.

We would like to move on to the equalization of rents. This is a thorny problem that we have encountered many times at Parkdale Community Legal Services, where I have been doing rent reviews for the past five years. I remember in the old days when equalization was included under Bill 163, it often meant that some tenants paid a 40 per cent rent increase in the building where other tenants paid perhaps only a six per cent or seven per cent rent increase. It seemed to me invariably that the tenants most affected were senior citizens and people with low incomes.

What has been proposed in this bill is that there be a cap on equalization. I think that is a good idea. However, the cap proposed is five per cent; we think this should be cut to two per cent.

We are also concerned that the rents be proven legal, not by statutory deeming and accepting rent submitted as being gospel truth without substantiation by rent rolls. We think the rents ought to be proven to be legal before lower rents are brought to the level of the higher rents. On the whole, our clients agree that in most cases people with similar accommodation in a building should pay similar rents, but they want the equalization to ensure that we will not equalize up to illegal rents and that the people at the bottom will not face large rent increases in one year because of it.

Our two recommendations are to cut the five per cent to two per cent and not to allow equalization in any circumstances where the landlord cannot prove by using rent rolls back to 1975 that the higher rents are a result of legal rather than illegal activity.

Now we come to the guideline increase. Essentially, are making a point that was made earlier by the Parkdale Tenants' Association, the Federation of Metro Tenants' Association and perhaps other tenant organizations in the city. The guideline increase is too high. We agree with the principle that the guidelines should reflect the variations in costs, and we think the three-year rating is a good idea, but to give landlords an arbitrary two per cent on top of what was already a generous operating cost allowance is unwarranted.

We understand from the people who have drafted the legislation and from the Rent Review Advisory Committee that came forward with the proposal that the idea is, first, to provide a cushion for those landlords whose costs are a little out of the ordinary and, second, to encourage better maintenance practices. We do not believe this will happen as a result of the guideline increase.

If you want better maintenance, put a stiff maintenance section in the bill, and we will be talking about that next. If you want to give the landlords money for some other reason, do not try to justify it on the grounds that it might induce some landlords to give better maintenance. It might also induce some landlords to go to Miami for the winter. The sure effect that it will have is to make tenants pay 50 per cent more than the current rate of inflation for the rent increase for the coming year. That is unwarranted unless there are ironclad guarantees in here to make sure that two per cent is going to do what it is intended to do, and those guarantees are not in this bill.

We recommend that the formula be adjusted, but that the idea of the formula be retained, that is, that costs should not be set out arbitrarily by the government at four per cent or six per cent, but it should be done according to a formula similar to the building operating cost index.

Our final recommendation on this is that the government should live up to the promise that is contained in the NDP-Liberal accord, which is to retain the four per cent until August 1987. We ask for two things: redraft the formula and do not implement it until the accord has run out.

With respect to maintenance, we are pleased to see that the government recognizes that maintenance should be tied to rent increases, but we feel the provincial standards that are being proposed, which are not included in the bill, which are very vague and which we now understand are still being hashed out in the committee upon whose recommendation this bill is based, are not going to be enforceable unless the act is tightened up and compliance is strictly enforced.

A landlord whose building is substandard should not be permitted to raise rents at all until the building is brought up to standard, and he should not be able to get back the rent increase that was stayed. It should not be a recoverable stay because that would result in tenants not knowing when the rent increase would take effect and owing back a large amount of rent increase potentially, if it took them several months to bring the building up to compliance, when they had to live in those substandard conditions for that period of time.

We ask for two things: that the moratorium on rent increases set out in subsection 15(5) be defined to include all rent increases, including those permitted through equalization and through the guidelines; that upon receipt of a notice of noncompliance, the ministry notify the affected tenants of the stay of further rent increases and record that in the registry as a matter of administration; that the stay not be recoverable and that the stay not be discretionary. If you are going to put in a stay as a stick then the stick must not be discretionary; it must be there in the statute.

We also feel that the municipalities are going to require some help. If you set up the Residential Rental Standards Board, we are going to have to provide funding for extra staff and a provincial office for matters of appeal and for matters of guidance to municipalities that cannot, will not or have not applied standards and enforced them in the past. We recommend that the act be amended so that the enforcement of standards is jointly a municipal-provincial responsibility, but funded by the province, since it is tied to a piece of provincial legislation.

We also think the method of provision of information on residential tenancies could be improved, and this is a good place to start. We have a new piece of legislation being proposed. Let us make sure all landlords and tenants know what it means and how it can work for them.

13:40

The ministry should ensure that pamphlets describing the whole process are ready and available publicly before the act is proclaimed, so they can be released simultaneous to the proclamation. Step-by-step guidelines should be written, not only to assist landlords, but also to assist the tenants in the proper preparation of applications and in learning how to use the rent registry.

All information and advice and all the prescribed forms should be written in plain English rather than in legalese or bureaucratese. As a legal worker in Parkdale, I cannot tell you how few people understand the forms, which are supposedly written to be used by ordinary landlords and tenants without the assistance they receive from lawyers. The simple application form to get a rent rebate and the notice currently sent out to tell a tenant that the landlord is applying for a rent increase is written only in English and French. As we all know, French is not the most common or even the second most common language spoken in Toronto.

They are designed in an inappropriate fashion for the majority of people who are required to understand and use them. Therefore, we recommend that the minister hire as consultants literacy experts, who can test all the prototype pamphlets and prescribed forms for readability, and that the minister redraft where deemed necessary.

We also recommend that the ministry make available in the most commonly spoken languages, other than the official languages of English and French, all of these forms. You cannot have 10,000 forms available in Vietnamese or Tamil, but you can have written on the appropriate form, which is written in the official languages, a simple line saying, "Translations of this form in the following languages are available from our offices."

You can have that written in the languages in which it should be available. That would be of tremendous assistance both to landlords--we have a lot of immigrant landlords in Parkdale--and to tenants. It would make the administration load on the ministry a lot less if, when they received the forms, people already understood what they meant.

Now we will address the issue of supply. As we stated at the beginning, the supply issue should be separated from Bill 51. That is the premise of our entire presentation. What has the ministry done in the past to encourage supply? It has primarily used government incentive programs to the private sector. This has not worked.

The federal government's assisted rental program helped to finance 40,000 units in Ontario, but a Canada Mortgage and Housing Corp. survey shows that the units rent for 30 per cent above market rents. The 8,000 units created under the Canada rental supply program also have rents in the middle and the luxury end of the market.

The rent supplement programs, where the province leases back a number of units and then rents them on a rent-geared-to-income basis, have run into similar problems. The market rents are so high, even where the government has also subsidized the building of the units, that the government cannot afford to rent them itself. Therefore, we think it is entirely inappropriate for the government to continue to look to the private market to provide housing that it is obviously incapable of providing. Let us let them off the hook.

The policy direction we think the ministry should take is to direct its money towards nonprofit rental and co-op housing. A step has been made. I get confused about how many units have been allocated, because they keep getting announced again and again. I am not sure whether it is 6,700 or an additional 3,000 or what, because I have not seen any of them come on line yet. It is only a step in the direction. We need many more thousands than that.

We recommend not only that the ministry should allocate additional funds to the nonprofit sector, but that it should immediately suspend the Renterprise and other private sector incentive programs and reallocate this money to nonprofit, co-operative housing developers. In the long run, we believe this would be the most cost-efficient way to provide housing that would be more likely, if not to be affordable immediately, to become affordable over time.

Essentially, if the government divorced the issue of supply from Bill 51 and looked at Bill 51 from the point of view of protecting affordability of existing units and promoting future affordability while providing fairness to both parties, Bill 51 could be improved to make it a satisfactory piece of legislation for tenants. Thank you.

The Vice-Chairman: Thank you very much. That is one of the clearest, most precise presentations I have witnessed since being on this committee so far. I really praise the way you laid that out for us in its terms. It was very easy to understand. I like the way you have summarized recommendations after each section. It is very clear to me and I am sure to the rest of the committee members.

At this time I would ask the committee members whether they have any questions of Ms. Mahoney.

Mr. Reville: Thank you very much for your presentation, Ms. Mahoney. I want to start by asking you something about the climate in which your brief was prepared. Your brief very much speaks for itself. Given that the director of your community legal service was co-chairman of the Rent Review Advisory Committee, would you describe to us the process by which Parkdale came up with a brief which says something quite different from the RRAC recommendations?

Ms. Mahoney: Certainly. I will do this as quickly as possible. First, we have had a long-standing policy on many of these proposals, such as the rent registry, treatment of illegal rents and so forth. That has been our clinic's policy for a number of years. This policy was developed by staff in consultation with the community and passed by our community board of directors.

When Bill 51 was first introduced, naturally we went to a similar process. We went through the bill and compared it with our existing policy. We looked at new policies that were not being anticipated by our previous policy. We entered into the same process. We looked at how this would affect our clients and staff people. We consulted with community leaders, including leaders of the largest tenants' association in Parkdale, the Parkdale Tenants' Association, an umbrella organization within the community. We went to a public meeting to hear what tenants had to say, in addition to meeting with the executive of the Parkdale Tenants' Association.

Then I wrote the brief, and it went to our management process at the office and to our community board of directors and was endorsed by the board.

Mr. Reville: That is a very clear description of your process. During the many months that RRAC was struggling to reach the compromises that it reached in the context of the government housing policy, were you able to have consultation with Ms. Hogan or others on the tenant side of the RRAC committee or did that occur as a--

Ms. Mahoney: Me personally?

Mr. Reville: Yes.

Ms. Mahoney: No. I had no consultation with Ms. Hogan during that period.

Mr. Reville: Actually, extending that point just a bit further, in my view, you make some valuable comments about the supply issue. You will be interested to know--and I am sure you do know--that many of the developers who have been before the committee have indicated that they do not believe Bill 51 will encourage new building. Those who have said it will have acknowledged that new building will occur only at the very high end of the rental market.

Another piece of information that has come to us, although outside this committee, is that Ms. Robinson, who was on the RRAC committee, has been critical of the government for failing to deliver an adequate response to the supply question and that part of what the RRAC tenant representatives were doing was trying to look at the whole housing situation. Do you have any further comments you can make on that?

Ms. Mahoney: On what specifically? I am not quite sure exactly what you would like me to comment on.

Mr. Reville: I am just wondering what your perception is of this process that occurred before we got to this stage at the RRAC committee, which has been described in various terms, such as miraculous, historic, deals in the night and all sorts of adjectives and wonderful rhetoric around it. You are a tenant advocate. What I am trying to get at is, how could it have happened that a bunch of tenant advocates such as yourself came up with the RRAC recommendations?

13:50

Ms. Mahoney: First, there is one thing I would like to say about the government and the committee. It is always appropriate for the government to consult with people who are going to be affected by a proposed piece of legislation. It is always appropriate; indeed, it ought to be mandatory. I also think the government must ultimately accept responsibility for all legislation that is being introduced and for the effect the legislation might have on the different people for whom it is intended.

With that in mind, the process that was set up by the government was probably not the most efficient and appropriate process to guarantee that the government was properly advised of the entire spectrum of opinion from both landlords and tenants. The process that was set up by the government was to put people in a room and say, "Hammer out a compromise." It is an artificial process. It is inappropriate to have nine or 10 landlords or whatever it is, especially considering the ratio of tenants to landlords in the province. The number itself is artificial.

It is also artificial to put people with diametrically opposed interests in many cases, at least with respect to one piece of legislation, into a room and say, "Come up with a compromise." It is also inappropriate to say, "Come up with a compromise that ties together everything having to do with housing in one piece of legislation that will cover only one aspect of housing." That is an impossible task. The tenant advocates and probably the landlord advocates who were in that room did the best they could, given an extremely sloppy mandate, perhaps a limited sloppy mandate, by the government. The government has ended up with a bad compromise that will not please anybody.

Being the government, it has the option now of rejecting that compromise, hearing what people want and coming up with something different. The compromise is bad because it attempts to address the issue of supply in the rent regulation legislation, which cannot be done. What the government can do is listen to both sides, come up with proposals that adequately stimulate confidence in the market, especially the nonprofit market, and adequately answer the issue of affordability. It can listen to the same concerns that were raised in the Rent Review Advisory Committee and it can bring forward appropriate legislation to meet each of those concerns. That is what our brief is saying the government should do.

Ms. E. J. Smith: I agree with you that we have had this said to us before. I think we all agree; nobody likes compromises, but that is what a compromise is, something that represents only part of what you hoped for.

Ms. Mahoney: May I comment on that? Solomon had an opportunity to effect a compromise with the two women who were fighting over the baby.

Ms. E. J. Smith: I know the story well.

Ms. Mahoney: Had he effected that compromise, he would have ended up with a dead baby. If this government continues to go through with its plans to legislate Bill 51, I think the parallel can be drawn. The government will be legislating and killing the baby, rather than protecting the industry and protecting the affordability of the industry for tenants.

Ms. E. J. Smith: I have problems when you say "protecting the industry and the affordability of the industry." I quote you once again. You say "stimulate confidence in the market." It seems to me it is you who are jumping from two sides of the problem and mixing them together in those comments. The compromise reached by this group, which intended to look at supply and stimulation--and other things as well, admittedly--can address only part of the market and cannot adequately address all of the social market.

In putting together a compromise and working out something that also looks at stimulation of the market and all the other factors to some extent, by their compromise they were defining which portion of the market they were able to look at and leaving the government to look at the other portion in its social housing programs. They were saying, "This portion cannot fit into the business stimulation compromise model." I do not see that as a devious or bad thing; I see it as an essential thing. Like yourself, I see it as essential that we look at the social problems clearly as something that will not be addressed by something that is also looking at business stimulation.

Ms. Mahoney: Which is why the compromise is totally ineffective for the tenants of Ontario.

Ms. E. J. Smith: The "tenants of Ontario" is a very broad term. Tenants of Ontario can include everybody, many of whom do not need social assistance. Business stimulation can address only a portion of the total tenants of Ontario, leaving other programs to address the problems of others. That also stimulates the market, because you help those people have a capacity to pay the rents. Obviously somebody still has to build them, granted.

I feel it is most important that this bill and this compromise be recognized as that and be recognized as having defined only what it can attempt to solve and not define all the needs of social housing.

Ms. Mahoney: I guess you and I are almost saying the same things but from different angles. You are explaining the limitations of the compromise--limitations of what the brief was able to do. We agree that those are limitations; as a result, we do not accept the compromise. It is not a good compromise.

Ms. E. J. Smith: Why would you not say that we accept it as being valid for that part of the housing market it addresses and that we recognize the need, as you do in the bill by saying--at least as the committee did by saying--they need more rent-supported housing?

Ms. Mahoney: You have just addressed the very problem. The bill does not say we need more housing and we are going to get it. The bill does not address that.

What the bill does is to legislate that every tenant will pay more rent in Ontario than under the current system; that rents will be allowed to go up faster than the rate of inflation to reward developers who have come here--I have read Mr. Grenier's testimony--and said, "We will not be able to build affordable housing as a result of this, but maybe we will build some housing."

That is not good enough for the tenants of Ontario. That is not an efficient use of government money. It is also not an efficient use of money from the tenants' pocket to the landlord. It is bad social policy; that is our point.

Ms. E. J. Smith: Mr. Grenier definitely did not say they would not be able to build affordable housing. He said they would not be able to build housing that was affordable to everybody. There is a big difference.

Ms. Mahoney: It might be affordable to you but not to the majority of the tenants in Ontario, which is why the only vacancy rates are in the higher end of the market.

The Vice-Chairman: Are you finished your questioning?

Ms. E. J. Smith: Yes.

The Vice-Chairman: I would like to defer to Mr. Church, who believes a factual error has been brought up in the deputant's answer a minute ago. We should hear from him and maybe the debate will ensue from that.

Mr. Church: Thank you. Without commenting for a moment on the deputant's approach, I think the assumption that there is a net increase in rent increases as a result of this bill is not only unproven, as you have heard from the briefing of the staff at the beginning of the committee meeting, but also it is the government's view that the net outflow from tenants' pockets will be roughly the same under both Bill 51 and the pre-August 1, 1985, system.

There have been a lot of alarmist statements brought before this committee, which we have tried to debunk one by one. Without for a moment arguing with the central assumption of the deputant until we have a chance to fulfil the committee's request by looking through those figures, I would simply like to put on the record again that it is our view that the net rate of rent increase is very unlikely to be significantly higher and possibly somewhat lower than under the pre-August 1, 1985, system. I will agree that the distribution might be different.

Ms. Mahoney: I cannot comment on that. We are looking into the future there. I do not believe the ministry has made any of those studies available to general groups. Naturally, I am at a disadvantage; Mr. Church is not.

Mr. Church: Quite so. In fact, I am too because we are responding to the committee's request to develop that material, and we do not yet have it completely developed. A central assumption in your reason why we should not have rate of return in the new system is that it is taking money out of tenants' pockets more quickly than the old system. My only point is that if that is your central assumption, it is decidedly unproven and we contest that.

14:00

Ms. Mahoney: So we both have unproven hypotheses and they are contrary to each other.

Mr. Church: Quite so.

Ms. E. J. Smith: I think the major point being made is that under the present system rents have gone up every year. You cannot base an argument on the alternative being that rents are staying the same. That has never happened.

Ms. Mahoney: Rents going up at a lower rate, though, is the assumption we are making. Mr. Church wishes to point out that may not happen. We wish to point out that it may well happen. In fact, we believe that is one of the assumptions upon which the landlords signed the package.

The Vice-Chairman: Are there any other questions?

Mr. Davis: I certainly appreciate your presentation. I have a couple of questions I would like you to try to comment on to help me understand the bill better and to understand your particular case and some of the other issues. I want to say that my reading of the bill supports your premise that the majority of tenants in this province will have larger increases than they have faced before. Some of them will have substantially larger increases.

That leads me to one of my questions. How do you suggest this committee deal with what seems to be a reality and which the minister has indicated is fact or will be fact, that people who are now receiving any kind of government subsidy will be facing some higher increases, and some people who are not on subsidy of any kind currently will find themselves in economic hardship and will have to seek some type of government subsidy? How would you address those concerns?

Specifically, people who are on subsidy are going to need more--at least I think they will, unless I am wrong--and people who have never been on subsidy are facing a process in their lives, no matter how old they are, of having to ask for help they have never had before. What does that do to the kind of client I think you have?

Ms. Mahoney: That is quite a large question. It is a human question as well as a question of logistics. First of all, the minister's assumption that more people will need more assistance is true. I also think it is true that this bill does not address that.

I realize there is a whole social assistance review about to take place by this government. All I can say is that to affect the incomes and the

affordability of people's basic housing rights before such a review is completed and before the safety nets have been extended would be irresponsible.

Commenting on what effect this bill would have, it would mean first that people who are in bad housing situations, which are almost affordable or affordable but not adequate, would be forced to stay there. They would not be able to get out.

When I talk about the human aspect, I think about the pride of people. We have lots of people in Parkdale whom I would term "the working poor," people who are working for minimum wage or close to minimum wage, who are spending a substantial amount of their income on housing already. If they cannot afford to make ends meet, what are they supposed to do? We do not have a guaranteed annual income in this country. Any proposals that have been brought forward for one are totally inadequate.

The effect the bill would have logistically is that governments would be indirectly subsidizing landlords by giving money to tenants to pay for their rent. This is appropriate if the government itself is the landlord and has recognized its responsibility to provide social housing. It is not appropriate if the people who are being indirectly subsidized are in a profit sector. That is inefficient use of government money.

I think we are all concerned about using government money as appropriately and efficiently as possible. That is why the central argument we make around supply is that the government has to get into the act in a big way. It has to take bold initiatives and not rely on the private sector, especially since the private sector says, "We need more carrots before we can even put a few sticks together and build something that we will not be able to afford to run."

Mr. Davis: You almost second-guess my second question. You would suggest that the government has to stimulate the market and create new development for affordable rental units.

Ms. Mahoney: Yes. It should be done in the rental market, because some people like to be renters, and it should be done in the co-op market. It should be done only in a nonprofit way. Those units will still initially be more expensive than anyone cares to hope, but studies have shown that in a matter of eight or nine years the money that is poured into nonprofit sectors will result in housing that is more affordable, with lower rents or lower occupancy charges, than the same money poured into the private sector.

That is what the studies show, and it would be wrong for the government to say, on two bases, "Let us continue to put money into the private sector and waste it," and "Let us make tenants pay more in the short term to stimulate this private sector to build housing we do not want or need."

Mr. Davis: You indicated one of my questions was a human question, a compassionate question. I have another one, and if you cannot answer it, I would like you to reflect upon it to help me get around it.

I have great difficulty dealing with legislation that hurts people. I think you are quite correct when you say that when it introduces legislation, any government has to be aware of the human consequences that a piece of legislation is going to effect now and in the future.

In this case we have two groups of people who can be hurt by the legislation as it now stands; one is tenants, and the other is landlords. I

think of those landlords who, as you mentioned in your brief, have overcharged or have illegal rents. It has been stated to us on several occasions, again supported by the minister, that a number of landlords, and I assume they are mostly smaller landlords, have charged some illegal rents out of straight compassion. For example, let us say a senior citizen has been on a fixed income and cannot afford the increase; so the landlord has forgone it or let it go for a couple of years. Then maybe he has come and said, "Look, the bills are such now that I am going to have to ask you for eight per cent," and the person has been quite happy and said yes. However we get there does not matter. "You are in a position, and I wish I were solvent right now." That was a very good illustration you used.

According to ministry data that have been verbally related to us, some of those small landlords will become insolvent and will lose their equity because they will have to pay back rents. Many of them have come from other countries and invested in Canada, believing in our philosophy, and now find themselves in this situation. How do you deal with it?

Ms. Mahoney: First, I have been working at Parkdale Legal Services for more than five years; I have done rent reviews since then. I have met one tenant, one senior citizen, whose rent was not raised when it could have been because the landlord felt sorry for her because she did not have the money. I have met hundreds and hundreds of tenants and dealt with hundreds of tenants and dozens of landlords every year since I have been there.

Also, the majority of the rent increases I have seen that have been taken in contravention of the law have been taken not out of ignorance but by people who either do not wish to apply for a rent increase or do not wish to obey the law. The most flagrant example I have seen of illegal rents charged was by a landlord who had gone to rent review. The commission has his rent rolls on record for the period, I believe, 1981-82. Those rent rolls show that every time a tenant moved out and a new one moved in, the landlord would jump the rent an arbitrary \$20, \$30 or \$40 per month. This landlord owns many buildings; he has 60, 70 or 100 units in the city. He is not unfamiliar with the laws and knows he is expected to obey it like everybody else.

I am aware that there may well be a few, a drastic minority of people who break the law through some reason we may not want to criticize in the same manner, but we are talking about a huge economic pie, most of which has been given to landlords who have knowingly broken the law and who can afford to pay back the rents. If they have been taking the profits out of the buildings, they can afford to pay back what they owe to people they have robbed.

14:10

It is a principle of our justice system that we try to make restitution where we can. What has been the pattern of restitution under the current legislation? Most frequently, if the tenant is still in residence, the landlord has not had to pay back a lump sum. Even though he gets charged no interest, he is not required to pay back any interest to the tenant or any fine, even though he has broken the law for years. Usually, all the tenant can get from the commission is the possibility of deducting a small amount from the rent on a monthly basis until he has recovered the overpayment. It may take him six or seven months longer to recover the money.

That type of system could be put in place for landlords who could demonstrate--and I have not seen any demonstrate--that it would be a financial hardship affecting other tenants if they were required to pay it back in a

lump sum. But I put it to you that I have not seen a single example or a survey to show that the majority of people charging rent increases are so affected. It is improper for us, therefore, to draft general government legislation on the basis of what might be only a few cases.

Mr. Davis: There have been some people before us who have told us that. It seems to me this committee has only two alternatives; there may be others, and I am looking for others. One is to say to landlords: "Because you have broken the law, whether it is technical or deliberate"--and I am not going to mention what has been in the paper--"your punishment for doing that is that you will lose your equity completely. You will have to sell your buildings and pay your tenants off." That is a very "pound for a pound" type of thing.

Is there some other alternative we can use which may do a couple of things? The only thing I had been able to think of--and I am not sure it is good enough--is a fine where that fine money goes to a central administrator to be used to help affordable housing. I have no idea what that is.

I have difficulty with any legislation that puts any person, be it the tenant, or the landlord in this case, into a really difficult position. The landlord will lose his equity, or the tenant can be put in a position that the rent will be unaffordable. I do not have the answers for it, but that it is an issue that someone needs to start addressing.

If the government, the government spokesmen and the minister are correct, there are hundreds of small landlords who would face insolvency. If that is not true, then I wish they would tell me.

Ms. Mahoney: I wish they would tell us anything, because we do not receive from the ministry a lot of data that have gone through RRAC or that are being developed for the committee. It appears that your committee has not received the information either. That is one of the most disturbing aspects about Bill 51. It says: "There will be pie in the sky by and by, but you must pass this bill first. If there is not going to be pie in the sky, we can change things two years down the road."

We have heard Mr. Grenier say, "If we cannot produce housing for you, it will be because the bill did not go far enough." Already the trench is developing where the landlords are saying, "This is not quite adequate; it is a step in the right direction." The tenants are saying, "It is a step in the wrong direction." It seems to me the ministry is asking a lot of people to swallow an awful lot in passing this bill on very few promises that are not supported by any data I have seen. That is why I cannot really answer your question.

Mr. Davis: No. It is just a question I have.

The Vice-Chairman: Mr. Taylor, we are going to have to go on. There are many people who want to get on this afternoon. We have to try to keep the schedule a little behind.

Ms. Mahoney, I want to thank you very much for your presentation. As I said, it was very clear, promoted a lot of good questioning and made us aware of a lot of good points.

I would like to call upon Kenair Apartments Ltd., Ron Schmidt and Don Aitchison. Welcome, gentlemen.

KENAIR APARTMENTS LTD.

Mr. Aitchison: Thank you. It is a pleasure to have the opportunity to speak before you. I would like to introduce myself. I am Don Aitchison, the controller of Kenair Apartments and its group. On my immediate right is Ron Schmidt, our property manager. We are both in the middle; we are landlord employees. We have no direct equity involved in landlords, although we certainly have a vested interest. There was an exhibit that I sent in. I am going to read from that. Perhaps we will go a little further in questions and answers later on.

I am a small-c conservative and I am opposed to any form of rent controls. That probably does not surprise anybody; I am from the landlords' side. However, after 11 years, controls are so entrenched that quick removal is perceived to be impossible. I do not want to argue that point at this time, because it is not relevant to the discussion of Bill 51.

If we must have controls, Bill 51 should be quickly passed in its present form. The bill is the culmination of many months of negotiation between the landlord and tenant representatives sitting on the Rent Review Advisory Committee.

The Liberal government has done many things right. They moved the responsibility of rent controls from the Ministry of Consumer and Commercial Relations to the Ministry of Housing, and housing is what this is all about. The Ministry of Housing recognizes the problems in rental accommodation, not only from the price side but from the supply side as well.

It was recognized in the ministry that input was required from both the providers and the users of rental accommodation. I was sceptical about whether the advisory committee would be able to agree upon anything, even when and where to meet. To the credit of its members, they did sit down and they were successful to the point of presenting, on April 18, a report that represented a compromise on the part of both tenants and landlords. The report was the backbone of Bill 51, later introduced by the Minister of Housing (Mr. Curling).

The bill is now in the hands of your committee, where it can be amended. As a landlord employee, I can think of several sections I would like to see amended--to our benefit, of course. Tenants at these hearings can also suggest just as many, or perhaps more, sections they would like to amend. As I previously said, the bill is a result of compromises already made. It must be amended no further. Further fiddling will, no doubt, result in the loss of support from one side or the other.

The RRAC was made up of individuals directly involved with rental housing in this province. You as politicians perhaps do not have quite the intimate knowledge, although we do appreciate that with the hearings you are trying to obtain it as quickly as you can.

I will continue with the caveats about Bill 51 that other people have brought forward. I do not think it will solve the problem of supply and it will not solve the problem of affordability on its own. I believe there are more dilemmas to the developer than just rent controls. Rent controls have kept rents generally below market levels, but new rental accommodation is still not being built for other reasons. There is no new land available in the urban areas where rental accommodation, especially multiple-unit rental accommodation, is.

Bill 11, recently passed, will not let you demolish the building already there. You have to change the zoning it previously was. To go through zoning, you require more patience than Job. We seem to hit a lot of religious analogies here. You also need about seven years, a lot of money, an army of planners, architects and lawyers and perhaps have to be a little bit crazy, because the investment might be better off in Canada savings bonds.

As for affordability, which has also been covered several times here, controls are a subsidy for the rich and do nothing for the poor. A survey conducted for Fair Rental Policy Organization of Ontario shows that 96 per cent of tenants earning more than \$41,000 a year pay less than 20 per cent of their income in rent. At the other end, 40 per cent of tenants earning \$18,750 or less pay more than 36 per cent of their incomes in rent. A Fair Rental Policy Organization of Ontario director stated, "If you accept the premise that 25 per cent of one's income should go to shelter, then where is the affordable housing that rent controls were supposed to offer?"

Bill 51 must quickly be passed in its present form so that both the landlord and the tenants know what the rules are. Since the Liberal-New Democratic Party accord was signed in mid-1985, nobody has known what the rules are or what rent he has to pay or charge. Tenants have been advised that increases must not exceed four per cent, but there are some exceptions, passed in Bill 77, related to section 125 of the Residential Tenancies Act, whereby we say, "We are charging you four per cent, but there is an appeal process whereby we can have an increase." The tenants think the four per cent is all it is. They have a contingent liability to the landlord, and one of these days they are going to get an unpleasant surprise.

14:20

As of today we are preparing to send out our notices for January 1987, as required by section 60 of the Residential Tenancies Act and section 129 of the Landlord and Tenant Act. We have to send these out under two different acts and use two different forms, but we still do not know what increase we are allowed to put on the form. Four per cent was supposed to end on December 31, 1986, but that is the amount that is on the books. Four per cent is what we have to charge. It is so low in relation to the cost of operating a building that it is ridiculous.

It is not the consumer price index we are looking at; we are looking at the costs of operating a building. For example, realty taxes in the city of Toronto went up by 6.2 per cent in 1986. In a typical building, which is the building they are using in their building operating cost index and residential complex cost index formulas, realty taxes account for 34.3 per cent of operating costs. If the total operating costs are to increase by only four per cent to maintain the same ratio of net income, then all of the other costs, a lot of which are not controllable--heat, hydro, maintenance, wages--can increase by only 1.8 per cent. You can draw your own conclusions about the perception that rental buildings are deteriorating.

In summary, landlords hate rent controls; tenants feel they require rent controls. Both sides have compromised, and the result is Bill 51. To make amendments that would favour either the landlord or the tenant would be making compromise to a position that was already compromised. Please do not do it. Pass the bill as is and let everyone know the rules from now on.

Mr. Chairman: Thank you.

Mr. Schmidt: My name is Ron Schmidt. I am the property manager with Kenair Apartments. Those who have spoken against rent control have founded their argument on the basis of the reality of economics. The problem is that provincial politicians are ignorant of the unambiguous evidence. They believe the laws of economics apply elsewhere, but not in Ontario.

In the light of this, I wish to focus on the issue of individual rights with respect to rent control. I have borrowed excerpts from Ms. Ayn Rand and Don Butler.

To begin with, I believe that need is not a claim. Society claims a right to consume the unearned, yet blanks out the question of who produces it. Man's essential characteristic is his rational faculty. Man's mind is his only basic means of survival, his only means of gaining knowledge. Freedom is a fundamental requirement of man's mind. A rational mind does not work under compulsion; it does not subordinate its grasp of reality and its knowledge to anyone's order, directives or controls.

Is a man a sovereign individual who owns his person, his mind, his works and its products? Or is he the property of the state, the society, which may dispose of him in any way it pleases, may dictate his convictions, prescribe the course of his life, control his work and expropriate his products? Does man have the right to exist for his own sake or is he born in bondage as an indentured servant who must keep buying his life by serving the state and the people--and, in this case, the tenants?

The basic question is, is man free? Rent control says he is not. All previous political systems had regarded man as a sacrificial means to the ends of others and society as an end in itself. Democracy recognizes man as an end in himself, that a right is the property of an individual, that society as such has no rights and that the only moral purpose of government is the protection of individual rights.

Individual rights are therefore the means of subordinating society to moral law. Without property rights, no other rights are possible. Since man has to sustain his life by his own effort, the man who has no right to the product of his own effort has no means to sustain his life. The man who produces while others dispose of his product is essentially a slave.

The right to property is a right to action. It is not a guarantee that a man will earn any property, but only a guarantee that he will own it if he earns it. It is the right to gain, to keep, to use and to dispose of material values. The source of property rights is the law of causality. You cannot acquire wealth or property without its source, without intelligence. But in this case, the mind cannot be worked by compulsion and it cannot be controlled.

The doctrine that human rights are superior to property rights simply means that some human beings have the right to make property out of others. Since the competent have nothing to gain from the incompetent, it means that the right of the incompetent to own their superiors or betters and to use them as productive cattle is the essential thought. Whoever regards this as human has no right to the title of human.

Consider for a moment what is implied in a system of rent regulation. First, landlords have a social responsibility to provide affordable housing, even if they must suffer as a result. As well, the existence of rent review suggests that privately owned rental property does not really belong to the

nominal owners; rather, it is quasi-public property whose use is subject to the whims and dictates of politicians who themselves are guided by the ultimate master, public opinion.

These implied assumptions are clearly not consistent with respect for individual rights. Indeed, they represent a negation of one of the most fundamental rights of all--the right to own, use and dispose of property. Rent review defenders argue that controls protect a fundamental right to shelter. Their argument betrays a common confusion about the nature of rights. Fundamental human rights, whether they exist by a particular government or whether that particular government chooses to recognize them, are really rather few. They include the right to life, the right to liberty, which includes freedom of belief, speech and expression, and the right to property, which means the right to own and the use of the essential needs of life. These rights and freedoms share a common characteristic. They can be exercised at no cost to others. Indeed, that is the defining characteristic of a true right.

Property rights include the freedom to own, to use property and to sell or buy goods and services in a free marketplace. No second party pays a price for individual freedoms, but a right to shelter can be exercised only at the expense of others. If humans have a right to shelter, then someone must provide it. If tenants are entitled to affordable accommodation as a matter of right, which is the implicit rationale for rent review, then their alleged right can only be obtained by curtailing the property rights of landlords and, indeed, all individuals.

The basic issue is whether man is free. Rent control says he is not. I believe this is the only inhuman consequence. Bill 51 provides some recognition of property rights, although very limited. In the light of political reality, I believe it should be passed intact.

The Vice-Chairman: Thank you, Mr. Schmidt. Mr. Taylor has an editorial comment.

Mr. Taylor: As I recollect, there is no protection of property in the Charter of Rights. Property is not a right under our Constitution. Is that correct?

Mr. Schmidt: That is correct.

Mr. Taylor: I am not suggesting it should not be there, but apparently it was not enshrined in our Constitution. I mention that only because of your comment on rights. I wonder how fundamental that right is.

Mr. Schmidt: Whether we include it in our Constitution is really a matter of politics. As you know, it was intentionally left out.

Mr. Taylor: It is more than politics; it is fundamental.

The Vice-Chairman: Thank you for your presentation. I am at a bit of a disadvantage with Mr. Schmidt's presentation because Mr. Aitchison told us he was a small-c conservative and I am not sure where you stand on the political spectrum.

Mr. Reville: I am going to try to avoid making any comments about crypto-conservatism. However, I do want to speak to one section of your brief. In your explanation, the second-last paragraph mentions the fact that realty

taxes in the city of Toronto increased by 6.2 per cent. I am having a little trouble following, first, your mathematics--I think your 1.8 per cent is incorrect--and, second, the statement that you make that total operating costs are to increase by only four per cent. Surely the increase is on revenue in a guideline situation, and the marketplace deals with the increase on operating.

Mr. Aitchison: That is true. There has been an erosion in margins, I believe, during the time that controls have gone on. You are absolutely correct that the increase is based on revenues.

Mr. Reville: Surely it makes a difference on the percentage of operating cost to revenue that a particular building may experience.

Mr. Aitchison: As I said, we are looking at maintaining the same level of net income; so your ratios then have to stay in the same proportion. To explain how I got to the 1.8 per cent, it was the level of increase of each individual component.

14:30

Mr. Reville: I understand your reasoning. I just think your mathematics are incorrect.

Mr. Aitchison: No, they are correct.

Mr. Reville: You may want to look at it. I make it 2.8 per cent rather than 1.8 per cent, but I see the point you are trying to make. I just wanted to be sure that you are not expecting us to believe it is not the revenues that are increasing by the guideline.

Mr. Aitchison: No, the revenues will increase by the guideline.

Mr. Reville: The other question I have of you is that I understand both of you are opposed to rent control for philosophical reasons. The Minister of Housing has indicated that rent control is a permanent policy of his government. How does that statement square with what you think should happen from your industry's point of view?

Mr. Aitchison: Personally, I have a lot of philosophical differences with the rules and regulations; it is the right of an individual to be able to disagree. In spite of that, if there is a framework within which the law is set down and the players know what the rules are, then there will be an investment opportunity for people to go out and start supplying new rental apartments. I am not too sure about what will actually be produced. I tend to agree that it will be at the high end.

We are currently suppliers of rental accommodation at the high end. That is the market we would be interested in. That really does not change. There could be what is known either as the trickle down or the trade up, where if new accommodation comes in at the top, people will be moving up into the higher-priced accommodation and vacating apartments in the middle.

I believe there is serious deterioration in the apartments in the middle, where a lot of major repairs are required. People may want to move out of those if there is something new, more so than if the act is set up so that the capital improvements provisions will allow the person to bring the building back up to a top level of standards. Then people will want to move

into that one. Supply at any level has to be positive. Over the short term, private industry will not be able to satisfy all the needs, but if we can start to satisfy a portion of the needs, it will go a long way towards getting the ball rolling.

Mr. Reville: Do you have any explanation for the fact that supply did not increase measurably between 1975 and 1986?

Mr. Aitchison: I look at it from our own perspective. We have not built a new rental building since 1970. In the early 1970s, when there were the problems of oil prices and embargoes, a lot of prices were going up. There was uncertainty.

From that point on, we found--maybe it is in the Municipal Act or some other act--it was very difficult to obtain land, especially at the high end, to develop our type of accommodation. I do not know whether there is anything that could be put into rent control or landlord and tenant legislation that could solve that issue. I think it is almost outside this problem.

Mr. Reville: Were the units that you manage on Avenue Road previously exempt from rent control? Were they \$750 units?

Mr. Aitchison: Out of the total portfolio, more than 90 per cent was formerly exempt. In the fall of 1984, the \$750 ceiling no longer existed. When you hit \$750, you did not cease to be controlled. We looked at that number of units as being for ever under control and went to rent review to bring those rents up, based on capital expenditures we had made on the building.

Mr. Reville: What was your date? What year did they cease to be--

Mr. Aitchison: It was actually in 1984 when the \$750 limit could not be passed. The \$750 limit ended before Bill 77.

Mr. Reville: Is your company a builder?

Mr. Aitchison: Yes.

Mr. Reville: It did not build between 1975 and 1986?

Mr. Aitchison: No. We are currently involved in a condominium project.

Mr. Reville: Therefore, you would not be one of those who alleged that rent control is responsible for the lack of supply.

Mr. Aitchison: There are many facets involved in a decision to construct. We would say rent control was not the only reason. It is a factor, but I could not say the actual proportion.

Mr. Reville: Thank you.

Mr. Taylor: I have sat here for a number of days and heard the landlords come in and say, "This is not going to solve your problems in terms of creating more rental housing."

Mr. Aitchison: Did the tenants say it is or is not?

Mr. Taylor: It is not. The tenants are not happy; the landlords are not happy. You are the first person I have heard with a message that this

might stimulate some housing, or did I misunderstand what you were saying? Will this stimulate rental housing or not?

Mr. Aitchison: I am not necessarily promising. Maybe I am more hoping it will.

Mr. Taylor: I do not want promises or wishful thinking. From your experience, do you think that, as a direction, this might be some incentive to create additional housing units?

Mr. Aitchison: What I am relying primarily on here is our own internal planning process and evaluation of investment opportunities. Many developers and builders who have left the residential apartment market have gone into commercial or other avenues.

I am concerned that we are getting into an overbuild situation commercially, not only in Toronto but also in North America as a whole. These people want to build; they want to develop. They want to continue in the real estate field. If commercial is becoming overbuilt, it is going to yield much lower returns and opportunities. However they see that, within the framework of Bill 51, they know what the rules are; it introduces things we have not seen before, such as a return on equity. They can see that if you do their job right, they will get up to a fixed return on their equity. They will say, "I think with the shortage I will be able to achieve that rate of return," because they all know they are good builders; they have confidence in what they can do.

I think that is better than going into the commercial market. It is better than building condominiums for resale. With the nature of developers, where they find they can get the best returns, they are going to start putting up cranes and building.

Mr. Taylor: Then there is potential for some stimulation in the rental market if this bill is passed as is. The message I heard loud and clear is: "Look, folks, a lot of negotiation and hammering out went into the making of this legislation. Do not tamper with it on the side of the landlords or of the tenants or you will upset the delicate balance that is there." Is that correct?

Mr. Aitchison: That is exactly what I said. I think the balance is still at a balance; it is an equitable bill for both parties.

The Vice-Chairman: Thank you for your presentation this afternoon.

Before I bring out our next presenter, I would like to caution the committee that we are running about three quarters of an hour behind schedule. If we could condense our questions in accordance with the length of the presentation, we could try to catch up and break at five o'clock.

I call upon Mr. Somerville, who is the chairman of the 41 Dundonald Tenants' Association. I welcome you to the committee. The floor is yours.

14:40

41 DUNDONALD TENANTS' ASSOCIATION

Mr. Somerville: Having to do with the gentleman who was just here speaking about the sacred rights of property, etc., I am sure the committee is

aware that empty buildings, as they stand, are simply a dead loss, a liability. Municipal taxes are being paid and there is weather, wear and tear. They are nothing without the tenants, who give them value and viability. Without the tenants, the building is just a shell. Because tenants are the key component in a high-rise rental building, I suggest that they are entitled to full consideration, along with the landlords, in any legislation the government intends to bring forward. That just happened to arise.

We filed our brief with the committee on August 25 and on the following day, as you may recall, the worst riots in South Africa since Sharpeville broke out. There were 20 people dead. The memorial service will be tomorrow, and further bloodshed is expected. It is called apartheid in South Africa; it was known as segregation in the American South. Here we have Bill 51, which is one and the same thing; it is a government legislating on behalf of a minority against a majority.

The brief is rather long. I understand that I have only 15 minutes, so I have shortened it.

The objectives of Bill 51 are as clear, callous and contemptible as its predecessor, the Residential Tenancies Act, from which they were adopted and amplified. Right off the bat, in subsection 2(2), the bill attempts to exclude the federal Charter of Rights and Freedoms and substitutes the provincial Human Rights Code of 1981 because the charter, in section 15(1), guarantees every Canadian equality before and under the law and the equal protection and benefit of the law, and no single government can get its hands on the charter to change it, whereas the code can be amended, altered and tampered with by the will of Ontario government.

This subsection 2(2) clears the way for section 71, which strips a tenant of his rights as an individual citizen by arbitrarily lumping him with all other tenants in a complex in whole-building rent reviews. In exchange for this mass targeting, this flock of sheep, the section seems to demand fair and full disclosure by the landlord at a hearing; but then along come sections 85, 104 and 105 and others that allow the commission, the board, to rummage and roam at will through the evidence in mid-trial, hopelessly disadvantaging tenants who never know what they will be confronted with next. It is a second mortgage, a new witness, a lien or whatever. There is no advance notice. There it is. You are under the gun. Cope as best you can.

That is not enough according to the aims of Bill 51. To be sure, section 47 is thrown in for the landlord's benefit, making everything subject to the so-called "real merits and justice of the case," as the presiding officer in his wisdom will singlehandedly determine, no matter how strong a tenant's evidence to the contrary may be. Supreme Court judges do not have that kind of discretion and power. Here it is: "Real merits and justice of the case, because I say so. Never mind the witnesses, the evidence, the documents and all the rest."

In case tenants prove to be stubborn, section 113 comes next to bully and belt them by not staying orders that have been appealed. Tenants have to pay first to stay in the game, contrary to the whole heritage of British justice. You do not hang the man and then afterwards acquit him. It may well be that on appeal a decision by a board or the minister might be overturned, reversed, reduced or whatever. However, if the order has not been stayed and a tenant has been turfed out into the street with his possessions and belongings and forced to find a park bench, any sort of readjustment comes too late for him.

Just to make this shakedown, this squeeze, doubly sure, the proceedings are not a court of record. There is no independent, trustworthy transcript of proceedings on which to even found an appeal. You have to scramble and put it together by yourself, although the fates of millions of citizens and billions of dollars annually hinge on the outcome of these rent review decisions.

Apart from all that, trying to fight their way through section 2 which turfs out the federal Charter of Rights and Freedoms, section 71 which lumps everybody together, subsection 71(4) which promises full, pre-trial disclosure but in fact never delivers it, and sections 85, 104, 105, 47 and 113, it is conceivable that we will continue to be afflicted with this swamp of so-called procedural guidelines.

Our association has been through three rent reviews and two appeals since 1979. We are now facing three more landlords' applications, and the landlord invariably files for 25 per cent increases. This is the sort of thing we have to deal with. At the moment, we also have to deal with the Landlord and Tenant Act, the Residential Tenancies Act and now Bill 51. Where is the law? How do we find the law in that?

The controversies over the extra billing by doctors, the separate school funding and possibly beer in the grocery stores are all issues which, with time, will more or less subside; they will go away, but Bill 51 in its present form will not. It will come around the first of the month for a couple of million tenants in this province, each and every month indefinitely, to remind Ontario tenants as they pay their rents of who shafted them and for whose benefit. That is all.

The Vice-Chairman: Thank you. Are there any questions of Mr. Somerville from committee members?

Mr. Cordiano: Mr. Somerville, have you looked at Bill 51 at all?

Mr. Somerville: Yes. That is where I found the sections. There are others as well. I assume somebody else will address them.

Mr. Cordiano: It says in here that the landlord has applied for a 25 per cent increase.

Mr. Somerville: Invariably.

Mr. Cordiano: I understand he has made three applications.

Mr. Somerville: We have fought three applications and two appeals, and he has three outstanding.

Mr. Cordiano: Three outstanding?

Mr. Somerville: Right.

Mr. Cordiano: Has he made capital improvements to the buildings?

Mr. Somerville: We got the double-dip treatment. From about 1980 until December 1985, the building went steadily downhill. We had cold, dirty, rusty water, we could not get hot water, elevators were jamming and jarring, plaster was cracking, paint was peeling off, the underground garage was flooded and the outside looked like the Sahara Desert landscaping. It goes on and on. We paid our six per cent dutifully every year, as the law required. The landlord shoved the six per cent in his pocket and filed for 25 per cent.

He started in January this year. We finally got hot water. Since then, he has been spending money on the place. We now have beds of petunia on the front lawn and a silk canopy over the front door. Those are major improvements. But the double dip is that we were deprived of ordinary, necessary amenities and utilities for the five years, quite certain that our next rent review would be a "give me" for the improvements he has made. He won twice. He pocketed what he should have spent during the five years and now he catches up. He gets the whole renovation at our expense.

14:50

Mr. Cordiano: What Bill 51 attempts to do is to streamline the process, make it much more condensed and shorten the time span in which some of these hearings will be outstanding. I think there is a 90-day maximum time period in which the landlord would file the case before the board.

Mr. Somerville: Under the old Residential Tenancies Act the landlord was supposed to come up with all his material 14 days before the date of the hearing. That has been removed from Bill 51. Now he can spring whatever he wants--

Mr. Cordiano: That could have been dragged on up to six months. Is that correct? Perhaps we can get a clarification.

Mr. Church: Yes. Under Bill 51, the landlord is now required to produce all his documentation 40 days prior to the completion of the review period.

Mr. Somerville: I do not think section 71 specifies; I think it says he "may" do it. Under the old subsection 126(4) it said "shall file all." That has been dropped.

Mr. Church: The way the policy is set, it has not been dropped. It has been made much more liberal. There are now 40 days applied for a tenant review.

Mr. Somerville: Since it was never honoured in the past, whether it is--

Mr. Cordiano: It is within that 90-day period.

Mr. Somerville: It was never honoured in the past. The commissioner could and did go out on fishing expeditions. When and if we have to climb into the ring with a landlord, we want Marquis of Queensberry rules. We want to know whom we are up against, his weight, reach, height and everything else, and we will try to answer that. If we are going to be slugged by the referee every so often in addition to what we are taking from our opponent, we do not have a hope.

Mr. Cordiano: I do not think that is the intention of Bill 51.

Mr. Somerville: It may not be the intention, but it is the way it reads.

Mr. Cordiano: That is probably an interpretation, but the true intent and spirit of Bill 51 is to try to bring both parties together during that time to reach an agreement prior to going to the review hearing.

Mr. Somerville: Assuming an agreement is possible.

Mr. Cordiano: Yes.

Mr. Somerville: What if it is not possible?

Mr. Cordiano: If it is not possible, then you will have to go to the rent review hearing. That comes after the 90-day period. Is that correct?

Mr. Somerville: When we get to the hearing, all we are asking for is a fair shot.

Mr. Cordiano: You are going to be given a fair shot.

Mr. Somerville: Due process.

Mr. Cordiano: We can say unequivocally that you are going to be given a fair shot, because the landlord will have to produce documentation, any necessary supporting documents to substantiate his case for an increase.

Mr. Church: Yes, and make them available for scrutiny well in advance.

Mr. Cordiano: In advance, yes.

Mr. Somerville: The old act said 14 days, but it was never honoured or obeyed. We had stuff dragged in--

Mr. Cordiano: We cannot answer for the old act and the way it was.

Mr. Somerville: That is our experience. You will understand why we are suspicious of the new act, particularly when the 14-day provision has been dropped from the bill. Why was it dropped?

Mr. Cordiano: All I am saying is that within the 90-day period documentation will have to be produced for the tenants to scrutinize. Then they will be going to a rent review hearing, if that period proves not to be successful in both parties reaching an agreement. We have attempted to streamline the process in Bill 51. That is the--

Mr. Somerville: You still have not explained why the two weeks prior to the commencement of the hearing provision has been eliminated.

Mr. Cordiano: Mr. Church, do you want to answer that?

Mr. Church: Yes, I can. In the consultations we did before the beginning of the RRAC process, that was very strongly pointed out by tenant advocates as being an inadequate period. Two weeks was not sufficient. During the RRAC proceedings, the framework for the new process was laid out, during which the landlord would have to complete his information in time to allow 40 days.

Louise, did you say there are 90 days for the tenants to examine it?

Ms. Stratford: The landlord has to file his material with his application, which is 90 days ahead of the first effective date.

Mr. Church: It has gone from 14 days to 90 days. If my math is good, you have an extra 76 days.

Mr. Somerville: I do not see it in section 71. Why is it not there?

Ms. Stratford: It is in subsection 71(4).

Mr. Somerville: Down here? Right.

Let us turn to the board and ministerial discretion in sections 46 and 47. They are empowered to overlook all the evidence that has been brought, all the witnesses, all whatever and substitute their own unfettered judgement.

Ms. Stratford: Section 47 says that decisions of the board are on "the real merits and justice of the case," but that is not to be taken as licence for the board to do whatever it happens to feel like that day. The intent of that section--and there is a comparable section in the Residential Tenancies Act--is to make clear that the board is not bound by its other decisions on--

Mr. Somerville: That again is the problem, because we go to one rent review and a commissioner says, "A is A." We go to a second rent review with the same evidence and the same material: "No, A is not A. It is now X." Where do we stand? We do not know what we are talking against.

Ms. Stratford: Bill 51 attempts to introduce more consistency into the system and will provide for more areas that are binding on board members so that you will see more consistency. This section just means they are not bound to follow previous decisions they have made. They will be bound to follow binding guidelines and rules that are made under the act.

Mr. Somerville: But that has been the haemorrhage in the past. We never knew from commissioner to commissioner. In 1983, we had a so-called second mortgage presented to us. Under cross-examination, it turned out to be an agreement, a handshake between a father and a son. Out. The next year it was back; it was now a promissory note. Out. The next rent review it was back, and again it was a full-fledged second mortgage. It was allowed and accepted by an appeal panel as such, although no authentic copy of the legally registered initial document was ever presented. We demanded again and again. They kept bringing in Xerox copies with the seal and the signatures migrating all over the page.

It was like the Mona Lisa. She is supposed to be smiling in the first version. "Oh, it is authentic," but she is frowning. In the second one, "Oh, she is weeping." In the third one, someone has painted a moustache on her, and we are all assured each time by the landlord, "It is the authentic Mona Lisa." The commissioner sits there and swallows that codswallop and we are required to swallow it. What are we fighting on?

Mr. Cordiano: The point I was trying to make was that Bill 51--and I think you have pointed this out--attempts to specify the guidelines by which the board will be able to make decisions--

Mr. Chairman: Excuse me, Mr. Cordiano. It would be a tragedy if Hansard could not pick up your words, and they are having great difficulty.

Mr. Cordiano: I am sorry. What I am trying to say is that there are specific guidelines in Bill 51 that are a departure from what we had under the previous bills. I think that is a fair comment to make, Mr. Church.

Mr. Church: It is certainly empowered under Bill 51 to have much more specific regulations and guidelines. Under our Residential Tenancies Act, the guidelines were largely nonbinding; in other words, they were, as the deputant suggests, a matter of the interpretation of the individual commissioner. That was the source of a great deal of upset in our consultations. In fairness, passing quickly to the commissioners, when they are given a great deal of judgement that they have to exercise, they will tend to be different.

Here we are prescribing a system in which there will be a much narrower area of judgement. There will always be some, but we are trying to define rules, and the Rent Review Advisory Committee has spent a very considerable period of time and will spend more time defining rules that are binding. They will be proclaimed by the minister and be binding on the people exercising that judgement so that you can predict exactly how a document is going to be treated. For example, an arm's-length mortgage will be defined precisely.

Mr. Somerville: What is the rationale for not staying an order on appeal?

Mr. Church: Principally, the issue here is that once an award is made, it should be collectable unless there is a substantial reason not to collect it. It is viewed here, because there will not be very long periods of delay, that it would just be a matter of proceeding. The alternative is to put unacceptable fetters on the right to appeal. It was considered by our own staff in the Ministry of the Attorney General, by the minister and by his colleagues to be unacceptable to fetter anybody's right of appeal.

Mr. Somerville: Section 113 does exactly that.

Mr. Church: Section 113, Louise?

Mr. Cordiano: Let us have a clarification of section 113.

Mr. Chairman: While that is being checked, can we give the last question by Ms. Smith, because we do have a number of other deputations.

15:00

Ms. E. J. Smith: I think I recognize that you do not feel inclined to believe this is going to happen, but I think you can recognize the very detail of a lot of this is to try to make it not only more understandable but more enforceable for the tenants. I hope and trust we will keep our eyes open and make sure it works in this way.

Mr. Somerville: Our motto, Miss Smith, is "trust everybody but cut the cards."

Ms. E. J. Smith: We will be watching along with you to be sure that the intention of what is being suggested here is indeed the result. In hearing your recitation of your very legitimate woes, I think you too would be very anxious to see the mandatory rental standards in this bill come into being. That was one of the big pushes of the tenants in the group. They wanted these rental standards, they wanted them enforced and they wanted to be sure no one could do exactly what happened to you, namely, not keep up the buildings and get the rent increases. That is in here.

Mr. Somerville: What about section 113? It is quite explicit. It is two lines long. It says, "An appeal from an order of the minister or the board does not stay the order pending the hearing of the appeal."

Mr. Chairman: Can we make this the last specific reference to a section because we do have to move on?

Mr. Church: This provision is there because the decision was made not to fetter the right of appeal. In other words, everyone has a right of an appeal from a decision of the first phase.

Mr. Somerville: What about second or third? If you go to an appeal panel and you do not like it, it does not stay the order if you take it to Divisional Court.

Mr. Church: Then you can go to the court. That is true. The order remains in place, although the board, I believe, has the power to stay the order in some circumstances.

Ms. Stratford: If you appeal to the Divisional Court, then the order will be stayed.

Mr. Somerville: Why does the section not say that? This is Alice in Wonderland: verdict first, trial later.

Ms. Stratford: There is a separate statute that deals with appeals to the Divisional Court, and it is covered in there.

Mr. Somerville: The Judicial Review Procedure Act.

Ms. Stratford: The Statutory Powers Procedure Act.

Mr. Somerville: Then it is in conflict already with section 113.

Ms. Stratford: No. Section 113 tells you whether an order will be stayed on an appeal to the board.

Mr. Somerville: It seems quite explicit, quite final. It says "does not stay the order pending the appeal." As I say, that is verdict first, trial later. When you are out on the street, you can appeal. If you win, good luck.

Mr. Chairman: Mr. Somerville, thank you very much for your appearance before the committee. I am sure we could spend more time with you, but we had to restrict the amount of time because there are a number of people who wanted to make an appearance.

Mr. Somerville: The only other point I would make is that this landlord and tenant advisory committee was in our opinion a sham, a shabby sham. We had nothing to do with it, we were never asked anything, agreed to nothing and were never canvassed.

Mr. Chairman: Thank you Mr. Somerville. The next presentation is by Richard Cornblum. This is exhibit number 69 for those of you who are keeping track of those. I am sorry, there is no exhibit number. I am sorry; I apologize; I will catch up.

RICHARD CORNBLUM

Mr. Cornblum: My name is Richard Cornblum. I am a principal of Trivest Developments Ltd. This company was started by my father in 1946 when he returned from overseas. Our company manages 26 low-rise apartment buildings, all of which were built prior to 1960. Because many of our buildings are over 50 years old, we have renovated 14 of them. We are a family business. It is managed by my father, my brother-in-law and myself.

People with pre-1976 buildings are almost invariably small landlords, and I consider myself one of them. Most of the large owners of pre-1976 buildings had enough resources that they could sell their apartment buildings without financial hardship and they got rid of them early, before the five per cent cap on rent increases which could be passed through as a financing cost to the new purchasers. We have the example of Cadillac Fairview. They saw the light and got out.

The small owners, like my family, who have no other sources of income to depend on, are in a totally untenable position. We cannot earn a living from owning apartments because, due to rent review, profit is a dirty word when applied to apartment rentals. We cannot repair our buildings because present rent review has made profit a dirty word when applied to apartment rentals. We cannot repair our buildings because present rent review increases make it impossible. We cannot renovate old buildings to restore them to decent condition because we cannot get vacant possession because of Bill 11. We cannot even sell them because of the five per cent limit on increases due to financing. We are hostages to our buildings. We are the forgotten landlords.

When people think of landlords, they picture huge corporations such as Bramalea and Cadillac Fairview piling up profits. The fact is that the majority of pre-1976 landlords are ma-and-pa operations that own just one or two buildings. We are the ones who need the most help; yet Bill 51 really helps people with post-1976 buildings, the people who were never under rent controls previously. They are to be allowed a 10 per cent return on equity. They are to be allowed all types of breaks to bring up their rents. I do not doubt that under Bill 51 they will receive as much or more than they could get on the free market.

Why are they special? It is simple. The government wants something from those people who have the potential as builders of new apartment units. The government knows that if post-1976 landlords have to live under the same punitive regulations as pre-1976 building owners, not one single unit will ever be built again by the private sector. On the other hand, the only thing the ma-and-pa landlord can provide is an example of how the government is providing goodies for the tenant voters by bleeding the landlord.

Until now, post-1976 landlords have been allowed to charge whatever the market would bear, and most are starting the rent control period with a comfortable profit margin. Most pre-1976 landlords have buildings that are not making money because rent controls came on at a time when a period of fierce competition was just coming to an end and there was a vacancy rate of almost three per cent. The rents were low even then.

The situation became worse as inflation skyrocketed and landlords were held to six per cent raises. Inflation was rated at 12 per cent, but this figure included food and other items, which did not accurately reflect landlords' costs. Oil costs and repair costs multiplied. Our banks were

charging us 23 per cent on loans. Our mortgage rates were 19 per cent and many of us are still carrying 17 per cent mortgages. Suddenly the rate of inflation has become an important number to be applied to rent increases, but where was that magic number when inflation was so high?

The proposed legislation pretends that pre-1976 landlords are being given a wonderful increase, but we are not even being allowed the magnificent six per cent rate of increase that caused us to starve for years. We are receiving an impressive four per cent, plus 1.2 per cent, so we are talking about 5.2 per cent being the new rate set under the new formula. This is a marvellous negotiating tactic. I feel as if I am in the Arab market. First, you cut us down by two per cent to four per cent and then you knock us back up by 1.2 per cent and tell us that you are giving us something. In return for this extraordinary generosity, the standards committee may make demands that will swallow up both the pathetic 1.2 per cent and a lot more dollars that landlords do not have.

Our tenants think what is being done to us is a big joke. Not one tenant has said to me that the four per cent raises are fair. Tenants are perfectly aware that the cut from six to four per cent was just an easy way to get votes and had no relationship to the actual rental situation.

Let us examine that extra two per cent increase being allowed to those with chronically depressed rents. There are so many hoops that we will have to jump through to achieve official chronically depressed status that almost no one will qualify, even though all of our rents are incredibly cheap. To qualify, our rents must be more than 20 per cent below average rents and we must not be earning 10 per cent on our investment, however that investment is to be determined. Nobody has said how that will be determined, whether it will be our investment when we bought the building 30 years ago or what the building is worth now if we try to sell it. We do not know.

If we do qualify, we will be able to rise at two per cent a year slowly up to the point where we will be 20 per cent below the rent level of comparable rent-controlled buildings. To qualify as chronically depressed, one must be even more depressed than all the other chronically depressed rent-controlled incomes.

Fair and market are dirty words where rents are concerned. Therefore, all comparisons must be made with rent-controlled incomes. Bill 51 will select a few landlords whose rents are \$200 to \$300 below fair market value. They will be allowed a pitiful two per cent of a pitifully low rent. Please note that a two per cent raise figure on a \$350 rent returns \$7 a month, the price of a few bottles of beer. It will add \$84 a year to the landlord's income. At this rate, the rents will be allowed to crawl slowly up to the permitted level, which is still 20 per cent below the depressed rent levels of everybody else's comparable building. Two per cent is not enough to save Ontario's housing stock from total decay.

A median line should be chosen as a decent minimum rent, say, at least \$500 a month for a one-bedroom apartment, and all landlords should be allowed to reach that level in a hurry, in about three years. Those who cannot afford the increase can be granted a government supplement. Help the people who need to be helped.

If a good landlord has been able to pay off his mortgage, he is allowed no benefit. The only ones who profit are the tenants who get cheap rent. The landlord receives no consideration and must charge below other comparable rent-controlled buildings. No matter how low his rents are, because he has paid off his mortgage, he will never qualify for an increase. However, if he sells his building, the new owner can go for a five per cent increase to pay for his new mortgage. This means the good landlord is encouraged to sell his building and there are tenants who will be paying more rent to the new landlord and will gain no benefit from the increased rent, which will go to the financing cost--not that the five per cent increase is even rational here; it was merely created as a financial cap and usually straps the new landlord, who, therefore, has no funds for improved maintenance of the building. Under this setup, the only beneficiary is the mortgage company. The tenant and landlord both suffer.

If the same five per cent was given as a credit to the owner instead, he would be willing to keep his building and would also be encouraged to keep it in good repair. He would have the rental income with which to make life more comfortable for his tenants. It is to his advantage to keep the building in good repair if he can afford to do so.

Another item being neglected when extremely small increases are given to pre-1976 landlords is the difference in cost in the maintenance of buildings of different ages. Pre-1976 landlords should be granted far greater percentage increases, partly because a percentage of a smaller amount is a smaller increase, but largely because of the greater deterioration of older buildings and the resulting greater maintenance costs.

Because of the number of buildings I have renovated, I am very familiar with the types of conditions we find inside the walls of 60-year-old buildings. Let me talk about that for a minute. Inside some of them is something called knob-and-tube wiring, that is, uninsulated wiring running through glass insulators, but even with the more conventional insulated wiring in later buildings, the situation is usually bad. Many have 40-amp services. Even when they have 60-amp services, most are only four-branch circuits instead of the more than 20 required in modern buildings. Some of our buildings were built before people had refrigerators. The wiring was designed for lighting only. Even later ones are overloaded if you plug in a Cuisinart and a toaster.

Leaky plumbing is often not the product of neglect. In half-century or older buildings, the walls are filled with galvanized pipes, lead bends and cast-iron waste pipes. The life expectancy of this type of plumbing is 50 years. The good landlord tries to replace rotting sections of old pipe with new copper plumbing, but what happens is that he then sets up a chemical reaction called electrolysis. This means the copper plumbing corrodes very rapidly because it is linked into the galvanized; so his problem is now compounded because he has tried to repair.

When older buildings have pipes in a condition that is that bad, the only thing to do is to replace them. Badly corroded drain pipes cause sinks not to drain, and leaky pipes will cause the plaster on walls and ceilings to fall off. Nothing can be done about this except to knock out all the kitchens and bathrooms in the whole building, get at the pipes and replace them completely. The problem is reduced in younger buildings, but those that were built in the 1940s and 1950s still require expensive replacements and upkeep.

How can major work be done on mechanical systems without allowing vacant possession for renovation? Can tenants live without kitchens and bathrooms for months at a time while plumbing is being replaced? If an electrician tries to install a new electrical system while the old one is still live in the walls, he could be electrocuted; yet if tenants remain, they must have a live electrical system.

Several court cases which studied the problem in detail have all ended with the judges finding that major renovations such as these cannot be carried out without vacant possession. Bill 11, which does not allow vacant possession to be obtained without permission of city council, guarantees that tenants of older buildings will have to live in slum conditions. Since the landlords of older buildings cannot provide drains that drain, ceilings that do not fall down, electrical outlets that do not spark and fuses that do not blow, what will happen to them? Landlords of such properties will be hounded as indifferent slumlords and penalized mercilessly for a situation beyond their control.

Unless some consideration is given to all these problems, none of the landlords of older buildings will ever be able to qualify for any rent increases, not even the basic statutory increases. They will be penalized by the standards committee and denied even that.

The reluctance of our government to raise rents across the board to realistic levels exists because the Minister of Housing believes the tenants in chronically low-rent buildings are the ones who are least likely to be able to afford the increase in rents. Let us look at the facts. By upsetting the law of supply and demand, government interference in the free market has completely altered the distribution of tenants. Under free market conditions, incentives to build in a sound economy keep rents within reach by increasing supply in response to demand. The building of more attractive, new units encourages those who have the financial means to select the better accommodations. The older apartments then become available to those whom the minister mistakenly pictures as inhabiting them now.

Instead, under rent control, with its accompanying shortage of rental accommodation, the wealthier people are competing for cheaper, older housing with those to whom such accommodation should belong. Tell me, what landlord would choose the indigent and needy for tenants when doctors and executives are beating on his door? What landlord can afford to risk losing income by renting to families with uncertain finances?

Our buildings, with their low rents, are filled with high-income tenants because they are the ones most qualified to pay the rents. We know for a fact that some of them are paying seven or eight per cent of their income for rent. It is a joke. They laugh at us. They drive big fancy cars in our lot. Some of them have summer homes. It is because we are subsidizing their lifestyle; and the poor people who need cheaper accommodation have no place to go.

We have a 65-year-old building desperately in need of renovation but very well situated in the heart of the city. Leaking and creaking as it is, it is still a beautiful building. We recently attempted, before Bill 11, to renovate it. The tenants' association decided that it would hire lawyers and fight us in court to protect their \$350-per-month rents. The lawyer for the Federation of Metro Tenants' Associations asked the tenants whether they could qualify for legal aid, so that legal aid would pay for the tenants' legal expenses. Not one person qualified for legal aid.

Of those 65 low-rent units, 12 are occupied by lawyers, six by doctors and five by bank executives. They are paying \$350 per month for apartments on a beautiful street off Avenue Road and below St. Clair. One of our tenants, a doctor, did not even live there; he kept it as a lovenest for his extramarital adventures. He kept the refrigerator stocked with champagne. He had a waterbed and no other furniture in the apartment. It is a marvellous thing that such people are living in subsidized housing, subsidized not by the government but by the landlord.

Even though we do the subsidizing of tenants, do not think that the average citizen profits through reduced taxes. We are subsidizing the wrong people. As a result, the government has to go into the business of building rental accommodation. We have all seen the disastrous results of the Ontario Housing Corp. building 100 per cent subsidized housing. Cityhome has to provide buildings that consist of 25 per cent subsidized units and 75 per cent nonsubsidized units. This means the Toronto taxpayer must build 40,000 units for every 10,000 families who need subsidies. The rents of all the accommodations are always below the financial carrying costs, but all the units are in fact subsidized by the taxpayers' money.

Rent controls are costing the taxpayers a fortune. Ontario must pay for the huge rent control bureaucracy as well as for Ontario and Cityhome housing. I propose that a fair market rent be set for pre-1976 buildings and that a formula be created so that rent might be reached in about three years. There is nothing bizarre about the use of the word "fair" in connection with rents. There is also nothing wrong with allowing every landlord to make a profit.

The real solution to the rental housing mess is to transfer the incredible amount of money now being used to pay for rent control into the hands of those who really need rent subsidies, and the criteria for deciding who these are should be simple, fair and not demeaning to the recipients.

Mr. Chairman: Thank you. Are there members of the committee who have questions or comments? You have obviously made your point. I appreciate the fact that you have taken the time to come before us with your presentation.

The next presentation is by Sam Grossman of the apartment group of the Urban Development Institute. That is a very common name around this building. Welcome.

15:20

APARTMENT GROUP, URBAN DEVELOPMENT INSTITUTE

Mr. Grossman: I have Karl Jaffary, who will be assisting the Urban Development Institute's presentation, with me. I also have some material I would like to distribute. I am sorry we could not do it earlier, but the time frame was not sufficient for us to prepare it. Can I give this to you to distribute?

Mr. Chairman: The material has been distributed now.

Mr. Grossman: Before I begin my formal presentation, I would like to make some introductory comments concerning the direction of our presentation. We understand that one of the key issues surrounding this legislation is that of supply. From our point of view as an industry, the issue of supply is related directly to investor confidence. That is our major issue because, as

far as we are concerned, our industry has already been dealt a major body blow merely by increasing the regulations under which our industry is governed.

There is nothing magic in this bill that will create investor confidence overnight. The construction process, particularly for rental housing units, is one that requires substantial lead time, considerable planning and, most of all, investor confidence in the market it is planning to supply.

We feel that if the improvements we are going to be suggesting to Bill 51 are made--and we feel they should be made--some of our members will build. The rest of our industry will wait, watch and see what happens with those of us who build. If they are satisfied, if it can be demonstrated--and we think it will be--that this new legislation is livable, we hope we will have additional supply.

I would now like to give you a little bit of the organization and history of the Urban Development Institute for those of you who may not be familiar with our organization.

We represent, in total, the owners of approximately 70,000 rental units throughout the province. Since our inception in 1959, we have been very proud to lead the apartment industry in a number of ways. We developed a clear and fair lease that has since become the industry's standard. Our members have always subscribed to a self-policing code of ethics. We have worked previously with a number of government commissions and bodies in formulating industry standards, including the recent Public Inquiry into Fire Safety in Highrise Buildings and the Commission of Inquiry into Residential Tenancies itself.

Besides managing buildings, our industry has built most of the buildings we manage. Our members have been in the forefront of our industry as builders of rental accommodation. If private rental housing is to be built in Ontario, it is expected that our members will build most of it. We will be addressing that matter once again.

We are a democratic organization, and the positions we are taking today before your committee are positions that enjoy the support of our members. You will appreciate that our members' initial reaction to more rent controls was a negative one. It is my hope that our members will put aside that hostility long enough to make a constructive contribution to our deliberations. However, in addressing you this afternoon, we want you to know that the remarks made here represent the consensus of our members' views.

Two of the major areas we will be addressing are maintenance of the existing stock and the creation of new housing. By "maintenance," I mean the whole range of expenditures needed to keep a building in good shape. Some of those are characterized as maintenance expenses for bookkeeping purposes, while others may be called capital expenditures.

Our members want you to understand how those things work from a manager's point of view. I fully appreciate that some of those speaking to you will urge you to go to any length to keep rents low. I want you to appreciate how easy it would be for you to create a rent control situation that would effectively sound a death knell for the existing housing stock in this province.

Jurisdictions all over the world have tried to maintain housing stock by government regulations alone, and it has not worked anywhere. Initially

valuable buildings have been run into the ground and made worthless when it was no longer in the financial interest of the owners to maintain them. We will be urging you to be certain that your proposals will be such as to have maintenance make sound, economic sense for owners as well as for tenants.

On the subject of new housing, we will discuss the various measures that will discourage or encourage new construction. Most especially, we wish to describe to you the need for investor confidence. Many of our members built housing on the basis of the previous legislation that exempted new housing from controls. Our members are concerned about whether the provisions of the present bill dealing with new construction, if passed, will be honoured in the future.

Mr. Jaffary: I am going to deal with the next section, entitled "Approach to Legislation." To introduce myself briefly, I have had some study of rent controls in the past. I did some work for the government of British Columbia when it had a New Democratic Party government that was thinking of carrying on with rent controls beyond the initial freezes that were put in, and I have done a little bit of consulting work for the Commission of Inquiry into Residential Tenancies. I am essentially a practising lawyer.

I want to say something about the approach that has been taken, because I think it is important to realize historically how we got where we are. We brought in rent controls at a time when price controls of all sorts came in. We said, "Okay, let us freeze and let us assume that what we had was fair and then let us pass through some costs." We assumed it was temporary. Every piece of legislation Ontario has had up until Bill 51 has had expiry dates and the assumption that it would go away.

That was done to prevent an inflationary spiral, but that is not the way we regulate any other industry where we are concerned on an ongoing basis about the cost to the industry. The two I looked at were the way we regulate the price of food as opposed to other necessities of life. Of course we regulate food by making it cost a lot so we can keep farmers in production. We are really worried about the farmer going out of production because if he goes out of production, we are all hungry.

With rents, if the builder goes out of production, we do not notice it overnight the way we would if the farmer went out of production, but we will notice it in the long term very seriously. That is what we really have to address, because when we look at the other kinds of utilities we regulate--the Bell Telephone Co. that the federal government regulates, the gas rates that this government regulates--what you have there is not a lot of little formulas applied by clerks. You have a broad-ranging hearing where the industry tells you what it wants to do and the industry tells you what that is going to cost, what rate of return you have to pay to get people to invest in things today, and after all those kinds of hearings, someone in whom we have confidence, such as Mr. Macaulay or whoever is on the particular board, fixes a rate usually appealable to the cabinet.

With that kind of rate regulation, we have taken the risk out of investing in utilities, but we have made the rate just attractive enough to bring in the kind of money we need. That is a kind of broad approach to regulating the price of a necessity of life.

The approach here is totally different, and we are a little concerned about whether it will work. You are trying to turn a very entrepreneurial,

very diversified industry into a public utility, and you are trying to do it overnight. We wonder a little bit whether it will work. You are mandating a rate of return for the future.

The people who have invested in housing in the past have been seat-of-the-pants kind of people. They have looked at the market. They have looked at interest rates. They have looked at a piece of land and where urban development was taking place. They have looked at lifestyles and whether slightly smaller units might sell this year and whether there are more families with children who want units. They have generally tried to get something on the market with no return at all. They have been prepared to bring their units on a break-even basis or even a loss basis because there has been the promise of something in the future: they might make a profit in the future. That is the way money and talent have been attracted to this industry.

The approach you have here first takes a historical rent level, says perhaps that is there and then passes through costs; then on top of that, you are adding a rate of return. For buildings built in the future, somebody is going to be able to apply ahead of time and see what he might some day get up to in rent and then take a rate of return on top of that.

We simply wonder whether the people who have built the housing in this province are going to want to build it on those terms. We hope they will. As Mr. Grossman says, "We will try it." Some people will watch it, and maybe some others will follow them, but I want you to realize what a tremendous long-term change you are trying to achieve and how difficult it may be to accomplish.

15:30

In the work I did for the government of British Columbia, I remember quoting a housing economist from the University of London, who said that as part of the comprehensive housing program, you absolutely had to have rent controls. If the government was going to take upon itself the responsibility of making sure that everyone was housed, trying to do it without rent control was madness. He also said that trying to do rent control without taking that responsibility was equally madness because the investment that is required to meet the government's minimum demands is about \$2 billion per year.

If we were to take the number of rental units you would like and see how much it would cost to build them, if the private sector was not doing it, what you would have is Darlington for ever. It is an order of public expenditure that this province cannot possibly make. When I did the same calculations for the government of British Columbia, that government would have been happy to say its policy was to build the rental housing itself. That is totally impossible. The government's spending power is simply not there.

You have an act that is based on temporary, pass-through cost controls and is still designed to try to get people to invest in it. Simply, I think some monitoring of it will be extremely necessary to see how it works, and asking questions such as, "How many will be built this year?" will not be very germane. The people who build under this program will have to be a different breed of cat from the people who have built in the past. You are starting from ground zero; you are starting at a position where the development industry is likely to ask why anyone would choose to invest more money in rental housing in Ontario. Why would anyone want to do that when one could put it into gold, into building roads, condominiums or stick houses, or into Florida?

You have to find people not only whom you treat fairly on what they already have but also whom you induce to bring their skills and money to do it. You are asking them to do something without a great deal of risk but without a great deal of possibility of profit. That is why I say they will be different people. You may be able to develop an industry that builds you housing under this bill. We hope you can. We have members who would like to try. But I want you to realize that what you are putting at risk is the entire rental housing industry in Ontario, not in the sense that it will lose money under your proposals but that it may simply choose to do things which it does better than building rental housing.

It seems to me that no one is asking how the housing will be produced. You are hoping an awful lot for this bill. It may work, but please both monitor it and realize what you are doing. You are making housing a public utility, and I hope you get people who will be prepared to invest in it as such.

That is a slight departure from what I had written down here, but I do not think there is anything very much different from what I have said from what I wanted to say in that section. From now on, we want to talk about specific difficulties we see in the regulations. I am going to turn it back to Sam on section C on page 4, Residential Rental Standards Board.

Mr. Grossman: The first specific section we want to address under the Residential Rental Standards Board is section 14. This deals with the whole establishment of the Residential Rental Standards Board. I would like to point out that our organization has already put a committee in place which has been working over the past several months to establish an industry position on maintenance standards.

As an organization, it is our feeling that our past history and experience in formulating industry standards in many of the areas I have already mentioned leads us to be uniquely and ideally qualified to provide leadership in this area. We have always been concerned about the physical state of our buildings, and it is therefore natural that we would be interested in establishing reasonable standards. To accomplish such an objective, we propose the following amendments to section 14.

First, it should be specified that at least 50 per cent of its members must be landlords. I think this is logical from the point of view that we are the people faced with maintaining and making those expenditures, and we always have been.

Second, appropriate maintenance standards should be defined as minimum provincial standards. This is to ensure that the standards are the same across the province so that we do not get into situations where one municipality has a totally different set of concerns from another municipality. Otherwise, landlords are not going to have any consistency, nor are tenants, in the way they are treated.

We think the workings of this board should be similar to those of the Housing and Urban Development Association of Canada warranty program. Probably most of you are somewhat familiar with the operations of that program, so I do not propose to get into that in detail.

Finally, clause 14(2)(d) should be removed altogether or should be made subject to the words we quote here, "recognizing the rights and

responsibilities of landlords to manage their buildings." This is a quote directly from the RRAC agreement itself, section 2.7.3(c). This is the section that deals with consultation with tenants. Our concerns here are fairly obvious in that it is important for us as the owners of these buildings to know we always have the final say in what amounts we are going to be committed to spend on those buildings.

The other section that also deals with the Residential Rental Standards Board is section 15, and Mr. Jaffary is going to speak about that. Before he does, I will point out to you the very serious concern we have with this section in that it can, if it is used in someone's adverse discretion for any sort of minor technicality, hold up rent increases in an entire building. For that reason, the whole legal framework under which this is set up gives us the concerns I would like Mr. Jaffary to address.

Mr. Jaffary: We are concerned very much about section 15. The first thing I would point out about it is that it makes municipalities responsible for enforcement, and it just says "in the prescribed manner." I do not know what "the prescribed manner" is, but if it is anything like the enforcement of occupancy standards, what you have said is not good enough and you cannot do it by regulations. We have noticed a number of difficulties about occupancy standards, and you have as well. I really commend to your draftsmen the sections of the Planning Act dealing with the enforcement of those standards.

The first thing that happens is that, before an order is made, the official tells the landlord he is thinking about making an order and he gives him an opportunity to talk about it. That is a very important right, and a lot of misunderstandings about what the order is to be and what is to be done are cleaned up at that stage. That is useful.

Second, it is the universal experience under occupancy standards that you need a right of appeal on two grounds. First, you have to have someone who can review whether you really are in violation of the standards or not. The way that works under municipal occupancy standards is that you have a right of appeal to an occupancy standards committee. They are in force and they are in effect in most municipalities. In many municipalities, the appointments to them are equally landlord and tenant appointments. They would be a very useful body to consider on a local basis whether you had or had not violated the standards.

The second thing they almost always do is give the landlord a period of time to bring his building into compliance. The thing that I suppose is most occupying many of them now is the terrible situation in parking garages. Parking garages that were built to every known engineering standard 10 years ago are spalling off concrete and are rusting in their supporting steel underneath. Ms. Smith probably knows more about this than many people. I would have thought you had learned something about it by osmosis, Ms. Smith.

What happens is that the repairs are often a two- or three-year program, and somebody has to set up that program, appreciate how the garage will be used in the meantime--will it be safe; where will people park--and then get on with the work. The time to comply is important.

On both of those, as it is set up under occupancy standards, there is appeal to a committee and then there is appeal to a judge. Most of these appeals are not used. They are usually resolved far before then. However, please set up a system that gives us some rights of appeal.

15:40

The two provisions that you have are going to be very unworkable. One says that the council of a municipality will determine that a rental unit does not comply with the standards and it is to give notice, and then the council of the municipality can determine that the complex now complies. That is going to mean a municipal council voting on the advice, on the one hand, of its staff and, on the other hand, of people living in the building. The one thing you know is that they will always be voting on something that is four weeks old. You also know that once they have voted hesitantly to say the building does not comply, you have almost said that building will never comply again.

I sat on the council of the city of Toronto during its difficulties with Phil Wynn. Mr. Wynn's building could never be brought into compliance. It was so far run down that even if an honest attempt by a mortgagee in possession to rectify everything on a list was done, by the time it was done there were more things on the list. No one would ever advance any more mortgage money on the building to do any work because it was out of compliance and could not get its rent increase. The members of the council were worried about how to vote and were facing delegations of tenants. It was not a pleasant situation.

What is supposed to happen is a factual determination of whether an order is outstanding or not. That is the last kind of thing a municipal council should determine. An objective committee can determine it or a judge can determine it. If you provide that the order will both note noncompliance and say that the building will be in violation if the work has not been done by a particular date, then you will have built in a framework so that the standards can be enforced, and yet rent reviews and rent increases can go on as long as things are done within a timely framework.

We have no objection at all to tenants or complainants being part of the process that sets the times and determines whether compliance is there or not. However, a right of appeal is going to have to be statutory. You cannot put it in the regulations. We suggest that some rights of appeal are very much needed. That is what I wanted to say on section 15.

Mr. Grossman: Capital expenditures: We point out that this is one of the most important parts of the legislation because, to maintain buildings properly, such expenditures have to be reasonable from a landlord's point of view.

The formula for calculating guideline increases under this legislation, as specified in clause 68(1)(b), is referred to as the famous RCCI, the residential complex cost index, which is defined as two thirds of BOCI, the building operating cost index, plus two per cent. In the case of any rent review application for capital expenditures, the plus two per cent is to be reduced to plus one per cent.

In our view as landlords, what this amounts to is a one per cent giveaway on applications for capital. We feel all this will do is to serve to penalize those landlords who wish to spend the most on the upkeep of their buildings.

If that is not bad enough, we sometimes get into circumstances where the same capital improvement extends from one rent review period into a second rent review period merely because the nature of the work is such or the scope of it is so large that it cannot be completed in one period. Perhaps it does

not surface until towards the end of a period. In this case, a landlord may be involved with two subsequent applications for the same capital improvement because it has not been completed. In this case, this one per cent, which we refer to as a giveaway, would apply twice. It would apply on the first application and it would apply again on the second application. We feel that is going to be most unfair because the landlord is going to lose two per cent.

To deal with the other items on capital expenditures, under subsection 75(2) there is an 80 per cent reduction allowance granted on a previous order when a subsequent application for the same expenditure is made.

As we said at the outset of our remarks, for there to be investor confidence in this market there has to be an attraction to invest capital money. We can understand the logic that governed this position originally, but we have to point out that this is Alice in Wonderland. This is not the real world. If a landlord or anyone in business 10 years ago spent \$100,000 or \$200,000 ago on providing something within his business and is faced eight or 10 years down the line with spending maybe \$300,000 and is told that once he spends that \$300,000, he is not going to be entitled to recover the \$300,000 expenditure but rather is going to be subjected to a formula which in effect takes away 80 per cent of the original \$200,000 that was spent eight or 10 years ago, what we are saying is that this is not reality. Any businessman faced with such an expenditure would be most hesitant to go ahead and make it.

Further, we see this kind of section as fraught with all kinds of difficulties that maybe legislators thought about, or maybe they did not. Karl has referred to one of the biggest capital expense problems in buildings today, garages, particularly falling concrete within garages. If we are going to have this 80 per cent reduction formula, what we wonder is who will do it and by what method will they keep track of just which improvements and which expenditures have already been made and which have not.

Replacing the totality of the concrete in a garage can easily cost half a million dollars today. In many cases, it is not the entire area of the garage that requires replacing at once. This means that a landlord might do certain areas which are worst affected, maybe 25 per cent of the total garage area, requiring an expenditure of \$100,000. Fine. He makes application for capital and is allowed that expense. Suppose several years later another section of the same garage requires work and he makes his application again. Maybe this time it is for \$200,000. He has not replaced that section before. Who are the magicians who are going to keep track of each area of the garage and how are they are going to do it when he comes in? How are they going to say, "Well, you repaired that area last year and you repaired that area three years ago." To us, that kind of situation is unworkable.

There is another section in this legislation that excludes from allowances for capital expenditures those expenditures made by a landlord who purchases a new building within the first 12 months after that purchase. It is a discretionary provision; I do not have the section number here. We feel it is a serious deterrent because it will inhibit sales and it will work also as a discouragement to having the work performed.

If someone buys a building and is faced with--let us go back again to this famous garage problem--doing garage repairs, maybe he can do the garage repairs this year or next year. If we have the kind of clause in here that is designed to discourage him in any way from doing it when he first becomes an owner, then we say he is just going to hold off from doing it until the second

year. Maybe by the second year, instead of making a capital expenditure that was going to cost \$100,000, he is going to make one that will cost \$125,000 or \$150,000, because prices are not getting any cheaper. Who is going to benefit from this? We do not know.

In our view, rather than a discouragement, there should be an encouragement when a new owner comes in and takes over a building and the tenants should get the benefit of a new owner who is trying to operate his building on an efficient basis, who is trying to make whatever improvements to that building that he sees are required.

Finally, under capital expenditures, section 93 leaves discretionary the blocking of any rent increases if the capital expenditures are caused by the landlord's "ongoing deliberate neglect." In keeping with the remarks Mr. Jaffary made, we feel this could be a very serious deterrent to anyone who wants to be in this business. We feel it should be restricted only to the circumstance where there has been failure to comply with the municipal work order or a deficiency notice. Anything else makes the spending of large sums of money on capital a tremendous risk. It is open to the discretion of any commissioner. Whoever is hearing the application may always be able to come back and throw this at someone. Do you want to talk about the supply problem, Karl?

15:50

Mr. Jaffary: I have talked about a lot of it. You will be pleased to know that about half of what I was going to say I have already said, so I do not have to say it again. If there is a climate that makes investment sensible, our members and others will invest and build housing. However, the government must realize and this committee ought to realize that is not going to solve the problem for people who cannot afford to pay the rents. The only way we can supply housing is at \$65,000 a unit as an absolute minimum. You have to look at \$800 a month rent to pay for the mortgage and costs and any kind of return on investment. You cannot rely on that supply of housing to deal with low-income people.

The whole idea of keeping housing prices down and assuming the low-income group will get the worst of it and will be all right will simply not work. I remember Grace MacInnis saying the trouble with the trickle-down theory of housing is that by the time it trickles down, it ain't housing.

We think, coupled with programs to encourage investment in housing, this government probably has to look at ways to help people in the lowest income brackets afford to pay the real costs of that housing. We think shelter allowances are the way it ought to be done. It has been a position of ours for a long time. That means the subsidy is not being provided by the person who happens to be the landlord; the subsidy is being provided by all the taxpayers on whatever equitable system of taxation we have. That is how we think it should be provided. We would like to pay our taxes; we would like to make enough money to pay our taxes and contribute to doing that along with all of you and everyone else. The problem is to supply housing and help people afford it. We think you have to look on the affordability problem at the same time you are encouraging supply.

Mr. Grossman: I would like to finish our presentation by talking about rate of return. You will recall that at the outset I mentioned investor confidence. Obviously, rate of return is linked directly to investor confidence in this industry.

It is obvious there is an element of discrimination in this legislation since, as I am sure you have heard before, section 77 allows for a rate of return on buildings occupied after 1975, while there is no such provision for buildings occupied prior to that time. This is the result of the decision to include under controls all those previously exempted buildings; it amounts to a reneging on the previous government's commitment in this industry.

Now that these two separate classes of buildings have been created, I want to draw to your attention to the fact that the pre-1976 buildings have been subjected to a kind of double whammy. First, as I mentioned earlier, on applications for capital, these buildings are subject to the one per cent giveaway I talked about earlier. Second, they are not allowed a rate of return, as are the post-1976 buildings. Since these are the oldest buildings, it is obvious they will require the greatest amount of capital expenditures and will be the hardest hit under this one per cent reduction clause.

For these reasons, we would like to suggest the following amendment: That the pre-1976 buildings be exempted from the one per cent reduction on capital applications. We have canvassed this throughout our membership, which includes builders of both pre-1976 and post-1976 buildings, and it has indicated its overwhelming support for such an amendment.

I also want to address the issue of the formula by which guideline increases have been calculated. This is the famous two thirds of the building operating cost index plus two per cent. As this committee is well aware, this item was arrived at after much compromise and extensive negotiations between landlord and tenant members of the Rent Review Advisory Committee. Since negotiating these amounts, we know they have been criticized by tenant spokesmen as being too advantageous to landlords.

I can tell you that from a landlord's position, in canvassing the members of our organization, our members have advised me that it is extremely doubtful, if not impossible, that they would be willing to supply any new rental accommodation if those amounts were reduced in any way.

In conjunction with this, they point out to me repeatedly that the proposed formula is a moving average which will depress the allowable rate of increase in years of high inflation, which means landlords will be unlikely to receive rent increases sufficient to recover their costs in those times. Finally, we have been subjected to the six per cent guideline over so many years--and in some of those years inflation was running as high as 12 per cent--that to come and say now that any of these formulas provides too much or gives away too much, I guess we regard as the final nail in the coffin.

I would like to leave you with one last thought on rate of return. Mr. Jaffary alluded to it earlier. When we compare our industry to any other industry--and regardless of what anybody may think, this industry does not operate in any vacuum--if we compare it to Bell Canada, which is an industry that is heavily regulated and still runs reasonably effectively, we see its rates are reviewed regularly and its increases are set at levels that provide for an attractive rate of return for its shareholders.

For this reason, Bell Canada attracts pools of capital. It has investor confidence and it is well known to be a favourite investment for widows and pension funds. What does that have to do with our industry? We think it has everything to do with our industry. The same conditions of investor confidence apply to our industry, because if there is to be new supply, there must be

pools of capital attracted to our industry. This government has to decide how it can expect to attract new investment without setting sufficiently attractive conditions for the same.

Mr. Chairman: Thank you. Are there questions from members of the committee?

Mr. Reville: Thank you for your presentation. One of the difficulties we are having that you may also have is that the bill you have studied and commented on so carefully is probably not what we are going to be dealing with. We understand there are at least 100 amendments coming from the government. It may be that some of your views will be reflected in the amendments, but it may be that they will not be; and none of us will know that until the process is finally made true here.

I wonder if you would provide for our information the Canadian Home Builders' Association warranty information you discussed. I do not think you should assume the members of the committee are familiar with it. That would be helpful for us to look at.

Mr. Jaffary: We will simply file an outline of what the Canadian Home Builders' Association does--I think its brochures describe it fairly easily--along with something saying how it was set up, if that is satisfactory, Mr. Reville, or were you wanting us to answer that right now?

Mr. Reville: No. One of the things we do know the government is intending to provide for us is a much flashier approach to the maintenance section. Apparently the standards are being developed even as we speak, or perhaps yesterday or tomorrow, and a delivery mechanism including how many millions of dollars you are going to give to the municipalities to do this--all of this will be revealed to us when the government decides we should know that.

Mr. Jaffary: I suppose the thing we liked about the Housing and Urban Development Association of Canada was this: There were complaints that people were losing their deposits, that people were buying houses that were not up to standards, that their warranties were not good and so on. Rather than moving in with a program, the government said, "All right, we will permit an organization that we will call HUDAC to be set up. It will be a nonprofit corporation that the development industry will effectively sponsor, and it will give you insurance that any registered builder's house will conform to all reasonable standards and it will give you insurance that you will get back your deposit if it does not."

The industry then set that up, and people registered, and you were not allowed to sell a new house unless you were registered; there was a registration fee, and the sum of the registration fees has been enough to deal with any complaints from builders who did not live up to their standards. It seemed to us that whole approach to self-regulation was the one we liked best. If you do not like that one and you want to have the municipalities enforce it, then my comments on section 15 are the ones we would like you to listen to. But whatever you do, please do not do what you are now proposing to do, which we do not think will work.

16:00

Mr. Reville: One of the things the government is proposing to do is amend subsection 15(5) to add two more levels of penalties. You may want to send us a letter later, when we find out what those penalties are.

Mr. Jaffary: You will have stopped having sittings and hearings by the time we know what that will be, I take it.

Mr. Reville: I very much hope we will not have stopped sittings. If we have stopped sittings by the time we see the amendments, there is going to be hell to pay, I can tell you that.

I will ask you one specific question and then one general, philosophical question. Mr. Chairman, I first encountered Mr. Jaffary when he was an executive member of city council. I was coming to him as one of those little shakers who was very tiny--a shakette almost--talking about affordable housing in the aftermath of the Bleecker Street--

Mr. Jaffary: You were my next-door neighbour and you were fixing some stuff in the bathroom. That is how we first met.

Mr. Reville: That is right. There you go. It is hard to remember these things sometimes.

Concerning the one per cent penalty, the RCCI minus one when you apply for an increase because of capital investment, Mr. Griesdorf, who seems to be the person who explains the development of the formula, indicates that the two per cent that is added on in the end--two thirds of the running average of BOCI plus two--is made up of one per cent for incentive and a rainy day and one per cent for minor capital improvements. If one accepts that description, then it seems to me your argument has some air in it. Is it that you do not accept the Griesdorf explanation of the formula?

Mr. Grossman: No, it is not at all. If one per cent represents your minor level of capital expenditures, then we assume that as reasonable landlords we will be making that one per cent capital expenditure, and all we will be doing from the guideline is getting back what we already made. If we have in addition to that a major capital expenditure such as a garage repair or something like that, then effectively the one per cent reduction is going to be taken out of that; so we are behind, not ahead. I do not see the logic in that position at all.

Mr. Jaffary: Mr. Griesdorf described very well what discussions went back and forth across the table as the committee justified various things. Of course, we support that this is what they all talked about. I am not saying that is why we are sitting here saying two thirds plus two per cent is fair. I always thought two thirds plus two per cent was fair, because inflation was generally about six per cent. If it was more than six per cent, we were inflation fighters and the rent was not going up as fast as inflation; if it was less than six per cent, it was averaging out there.

There are a lot of different approaches to how that is going. But in nine per cent inflation, under that formula, landlords are not going to get nine per cent rent increases.

Mr. Reville: That remains to be seen. That brings me to my last question. Thank you for the lead-in to it.

You have imagined a scenario that might develop if Bill 51 passed more or less as it is, that some investors--I would be interested if you would let us know who among your members might be in that category, because frankly we have not heard developers say they would build, in the main.

My scenario is this: Given that one of the pitches made about this bill is that RRAC will stay together, be a permanent thinking group about this issue for ever and will in 1989 take a look at this whole thing and see what needs to be changed, if I were an investor sitting out there on my pot of money, I would be tempted not to build anything. Then I could say: "You see? Nothing got built. You have to change this whole thing." Am I crazy, or is that possible?

Mr. Grossman: May I comment first of all? I have two comments to make. First, as people who are in this industry, we are taking two positions. We are talking about the people who make the deals and move the industry and the people who invest in them. Sometimes they are the same people, and sometimes they are different people.

Without the first--without the people in the industry who are the movers and the makers of the deal--the second does not happen. First, we have to be satisfied that we are going to get a fair shake under whatever the new legislation is. If we are, then it is up to us to persuade the pools of capital that there is reason for them to go along with us.

With regard to your first remark that you have yet to hear anyone say they will build, I go back to your own comment. We are looking at a piece of legislation which in its present status is almost unknown. We see what is written on the paper. You have already mentioned that about 100 amendments or something such as are still to come.

How can anyone who is being asked answer that? It is an easy question: "Will you build?" You are talking about committing millions of dollars, maybe \$10 million, in a new building. You are saying, "Look at this; tell me, will you build?" We do not know what the amendments are, and we do not know what the final formulas are. We do not know anything about it at this point, other than what is proposed.

What I said initially was that our organization is concerned mostly about investor confidence. All I can say in answer to your question is that if this legislation in its final form is sufficient to provide us with reasons for investor confidence, then there will be building and there will be new supply; if it is not, then for sure there will not be any.

Mr. Reville: I appreciate the kind of touché you delivered to my question. You must appreciate the dilemma that we are in as a committee. The government has alleged--and it has trumpeted this to anybody who will listen--that this is designed to encourage the construction of new rental units. The government does not construct new rental units. We know that. We know you guys construct them; so I do not have anyone else to ask. That is why I asked you. You are saying that you do not know until you know what this is. Fair enough.

Mr. Grossman: That is right.

Mr. Jaffary: I asked one client that question a week ago. This is someone who had built a lot and who is a wealthy man. He said, "How does the bill work anyway?" He is not the type of man who reads statutes. He wanted me to explain what happens. He is also somebody who invests a great deal of money every year. The only question is whether he does it in Florida, Manitoba or New York and whether he does it in condominiums, office rentals or housing.

I told him how it worked. He said: "I think there is a market in one area. I would like to have a crack at one type of building." He told me what type of building he would like to have a crack at. He said if it were like this, he thought he would try one. That was the way he put it. It is like me having a Popsicle, with him deciding to try one to see whether it works.

He did not tell me I could tell you what his name was, so I will not.

That is the type of feeling investors have about this bill: "Maybe we will try one." But if you were to keep RRAC sitting around and deciding: "Gee, I think Karl's friend made too much money; we will now say he cannot have a rate of return," we would be very unhappy.

Mr. Reville: Your friend may want to talk to the committee some time.

Mr. Jaffary: That is right.

Mr. Grossman: If I could add one remark, I did not mean my reply to you as a touché.

If you refer back to what I said earlier, the members of the Urban Development Institute have built a very large proportion of the rental accommodation in this province. When we discussed this matter--and obviously we discussed it in general since the bill was general--the overwhelming response was: "If we have investor confidence, then of course we will build. Why should we not build? That is what our business was, that is what it traditionally has been and that is what we are best at. Why would we not want to build?" That is all I wanted to add to that.

Mr. Reville: Thank you very much.

16:10

Mr. Chairman: I encourage members to move along.

Ms. E. J. Smith: I will move as quickly as possible. You have made such a complete brief and I have made so many notes, it is almost impossible to ask you questions very succinctly.

You must recognize that some of the details you bring up were dealt with by the RRAC in a great deal of detail. Although you and I may not interpret the details in exactly the same way, a good deal of time was spent on these things and much negotiating went on in the hope of producing a bill that will probably be improved over the years.

On a lot of the details--for instance, you gave illustrations of ongoing neglect, then giving capital--do you not think someone who did no ongoing regular painting and then came in for capital expenses to paint the whole of the inside would easily fit into that category?

Mr. Grossman: Are you asking me that question?

Ms. E. J. Smith: No. I am just saying to you, rather than you and I discussing this, I have to assume the RRAC looked at a lot of details. A lot of this has been argued about and a compromise reached that is this bill.

Mr. Grossman: My precise problem in the area you touched on, this ongoing deliberate neglect, is that while it may have been talked about and

discussed, within the legislation itself there is no definition of ongoing deliberate neglect. Even in the issue you talked about, painting--

Ms. E. J. Smith: So in regulations there will have to be a lot of details.

Mr. Grossman: That is right. Even in painting, how often do you have to paint? One year, two years, four years or five years?

Ms. E. J. Smith: I am sure the details will try to look at that. That is the definite intention.

Mr. Grossman: That is the area of concern.

Ms. E. J. Smith: Okay. The biggest thing I would like to ask you is--time is short, but I am very interested in your theory of self-disciplining. You talked throughout your brief about the rights and responsibilities of landlords.

I read a statement by Mr. Grenier about good landlords not wanting to be tarred with the actions of bad landlords and the recognition that certain steps must be taken on this account. That is one reason, for instance, he says we could never move into a shelter account right now, because with the shortage of housing the government would immediately be gouged by some landlords who would charge twice too much. That is his comment on that.

The big thing is this notion of self-discipline and the comparison with HUDAC. Do you have any ideas of any form of licensing and self-disciplining that you could offer to us, any suggestions in that way? I would be most interested in them. This is something that is still being worked on. If you have a positive route to lead there, not only would we be interested in it but also, in the interests of time, the group that is meeting on the regulatory standards would be more than happy to hear from you.

Now is the time to get there with your ideas while there is room. Lawyers have got into self-discipline, as you say. HUDAC is a self-regulatory thing for housebuilders, which good housebuilders are glad to have because it protects their reputation as well.

Mr. Jaffary: It would be particularly useful to think of licensing as a regulatory mechanism for things like boarding and lodging houses. Something is being provided other than the inside of an apartment that someone can look at and see it is all there, and that is fine. When you have a boarding or lodging house, meals are supposed to meet certain standards, medication is supposed to be dispensed, sheets are supposed to be changed and cleaning services to be provided.

Ms. E. J. Smith: Granted you need it more there, you did suggest that maybe we should be looking at it here.

Mr. Jaffary: Well--

Ms. E. J. Smith: I do not mean to cut you off. I realize rooming housing is going to take even more.

Mr. Jaffary: We do not understand why occupancy standards should be different for tenants from those for owner-occupants. Until this bill came

out, the approach to standards in Ontario was that there would be housing standards that would apply to home owners, to tenants and to everyone. These standards would be observed and they would be minimum standards. Suddenly, we have two classes of citizens in Ontario: tenants who get one set of standards and everyone else who get some other set. We find it inappropriate

The approach to standards we would have been much happier about is the one recommended by the Carruthers committee many years ago, which would have called for a model bill of housing standards that would have applied across the board and across the province. If the rural municipality of North Timbuctoo did not want it, maybe it could say it was not going to have those in its municipality, but you would either have them or not and you would treat home owners and tenants to the same standards.

Ms. E. J. Smith: In so far as tenants are now paying rent and feel entitled to the standards and in so far as many municipalities do not enforce hardly anything on the other side, let us at least say we are trying to get on with getting some provincial standards for the purposes of this bill. Whether they later become the standards of owned homes as well as rented, we are looking at what is reasonable to poor people in return for their rent, which is fair enough.

Mr. Jaffary: One thing they could do is look at it and see if they want it. The best rent control and the best standards control any tenant ever had was a two per cent vacancy rate so that if he did not like it he could go somewhere else.

If you want to have a range of rents, if you want people to pay as little as \$250 and others to pay \$1000, the ones paying \$1000 are going to get more.

Ms. E. J. Smith: I believe, as you do, that will be remedied by drawing such people in. I am hoping you will look at what you have said about HUDAC, see if there is anything you have to offer and come forward with it. We would definitely be interested.

Mr. Chairman: Thank you, Ms. Smith. Mr. Church is briefly going to clarify a matter.

Mr. Church: It is a quick point to reassure both Ms. Smith and the deputants. The Urban Development Institute representative on the committee is meeting with the RRAC maintenance board subcommittee, I believe tomorrow.

Ms. E. J. Smith: I wish him luck.

Mr. Chairman: As you can see, the committee is occasionally frustrated by a lack of time to engage in what I think is a very good dialogue on presentations of real substance, and yours is one of them. We very much appreciate your presentation before the committee. Thank you.

Mr. Jaffary: We appreciate the time and attention you have given us. Thank you.

Mr. Chairman: Next we have the Sandycove Acres Home Owners' Association, Ms. Dorothy Lea and company. You are Ms. Lea, I assume.

SANDYCOVE ACRES HOME OWNERS' ASSOCIATION

Ms. Lea: Yes, I am.

Mr. Chairman: Welcome to the committee. I assume you will introduce your company.

Ms. Lea: Yes, I will. Good afternoon, everyone. My name is Dorothy Lea and I am here today representing the Sandycove Acres Home Owners' Association in my official capacity as president of that association. My support group consists of Paul Burkholder and Jim Stelling, both members of our association.

First, under the background to our submission is the scope of our concerns. While we realize Bill 51 has broad scope and application, our concerns are solely with the direct interests of our members, all residents of the Sandycove Acres residential park in Innisfil township, just south of Barrie.

We all own our individual homes and have long-term leases for the lots and associated services from the park owner-landlord, Sandycove Acres Ltd. of Brampton, Ontario. About two thirds of the nearly 1000 homes are pre-1976 and thus under current rent review, with the remaining one third post-1975.

16:20

We are a nonprofit corporation operated by an elected board of 10 member directors, open to all of the approximately 1,700 residents, who are mostly retired seniors. Our association is dedicated to the resolution of problems that our members perceive in any of our living arrangements, services or facilities. Social and recreational activities are organized and operated by a parallel group.

We thus limit our submission to the specifics directly affecting our members, making no attempt to provide views on the total scope of Bill 51. Specifically, we wish to address (1) the nature and classification of our living arrangements, which in reality are different from the traditional grouping of mobile homes; (2) one component of the rent package as it applies to our members' leased lots, namely, maintenance and operating charges; (3) the disparity of total rent charges across our members' leased lots that has evolved over the 15 years involved.

Nature of our residential arrangements: This park, along with a number of other smaller, later established operations in the province, was designed to meet a particular housing market for private, economical accommodation combined with social and recreational facilities and activities for retired seniors. Some other parks located in Ontario are Grand Cove Estates and Wilmot Creek Park located in Newcastle. The two latter parks were developed by the same principals.

For our members, the choice to locate here was prompted by economic and lifestyle considerations, and the great majority are retired seniors. The homes are what might properly be called modular in most cases, that is, factory fabricated in sections brought to the site on trailers and set in place on post foundations. Many have added site-built rooms, decks or porches and have been extensively landscaped. The most recent group of about 50 homes is fully site-built on block perimeter foundations. None of these homes is

designed for ready relocation and thus is quite different from mobile homes that come on their own wheels. The most recent group of homes certainly does not fall within the mobile home definition contained in Bill 51.

The municipality zoned the park area for mobile homes, the generic term, but has since adapted the zoning to permit the present site-built residences as well. This grouping was necessary to avoid the need for individual lot land division. Development agreements eliminate school age children and the leases closely regulate house exterior and lot maintenance matters that the tenant looks after.

Common-use facilities are provided by the landlord--open space, internal roads, water and sewage facilities, master antenna television service, swimming pools and buildings for social and recreational activities, which the residents themselves organize and run. Some examples of these social and recreational activities are ongoing Saturday night or special occasion dances, special lunches and dinners, shuffleboard and billiards, various classes of instruction taught by the residents, such as exercising, line and square dancing, woodworking, sewing, art and drama. We have men's and women's glee clubs, which give concerts at various hospitals and nursing homes throughout the province.

This accommodation package is thus a combination distinct and different from other housing categories. Because of these differences, it appears that including us in the mobile home category for control and rent protection purposes is not really appropriate.

The existing Residential Tenancies Act, where it applies to the pre-1976 homes, has allowed total rent cost to escalate to levels higher than would have been the case under the lease's two per cent, and later three per cent, land rent escalation provisions, even allowing for the increases in the landlord-calculated maintenance expense charges.

Thus, we recommend the establishment of a new category in the rubric of accommodation types to cover our community situation with consumer protection controls limited to specific areas, namely, (a) rent protection at the time of lease renewal, recognizing that our homes are not readily relocatable because of physical construction and the absence of alternative locations; and (b) protection from mismanagement or improper allocations of maintenance and operation charges, as detailed in the next section of this submission.

Our next concern is maintenance and operating charges as a component of our leased lot total rent. For the roughly two thirds of our residences now under the Residential Tenancies Act, maintenance and operating expenses for the common-use areas and facilities are clearly part of the total rent. They are not separately charged, as the related leases stipulate, but clearly are a separately determined component when and if the landlord applies for additional rent escalation.

Pending the passage of Bill 51, the other one third of our homes are still under the provisions of the leases. These stipulate, "The landlord will furnish the tenant with a statement of the landlord's costs for the previous year in sufficient detail to enable the tenant to determine the accuracy of the landlord's calculations."

Another lease paragraph specifies, "The allocation of costs must be in accordance with generally accepted accounting practices." We all signed these leases with reasonable expectations that our interests were protected.

Our point here, supported by our direct experience, is that we have little confidence in the accuracy of these expense statements as reflecting the true and proper costs attributable to the present residences. There is a history of examples, even though we continue to be denied access to source documents and details, either on challenge by ourselves or going back to a 1982 rent review hearing where corrections or adjustments have been effected.

We had an incident in 1984-85 where, after receiving the unaudited year-end costs in all the accounts which make up the maintenance charge, two of these accounts--namely, swimming pools and office expenses--had increased by 456 per cent and 230 per cent respectively. To illustrate these high increases in dollar figures, the unaudited maintenance statement for 1983 showed costs for swimming pools as \$5,413. In 1984, these had risen to \$30,094. Office expenses were shown in 1983 as \$4,916 and in 1984 they had risen to \$16,224.

When the home owners' association questioned management on these exorbitant increases, it was told that the swimming pools had been improved upon by means of a newly constructed, wooden windbreak and sun protection overhang as well as new poolside furniture and landscaping. The administration office had purchased new computer hardware and software packages. We immediately challenged the slotting of these expenses into the maintenance category as opposed to merchandising. After many months of meetings and reminders to management of this overcharge, a credit of \$25,000 in our favour resulted in a rebate of \$32.64 being given to the non-rent-control residents in December 1985.

16:30

We are currently waiting for a reply from management, which was promised in May 1986, on several questionable items on the May 1985 unaudited maintenance statement. This will give you folks some idea of the problems we have with management relative to maintenance and operating charges.

We do not know how significant this is. Consider that on site there are simultaneous maintenance, sales and marketing, park expansion and new construction activities under way. Staff, equipment and administration overlap these activities, and we have not been able to get an adequate explanation or opportunity to verify cost allocations. Even information on how these allocations are determined is not available to us.

Consider that in the 1985 statement copy, included as attachment 1, the landlord includes \$101,499 for directors' fees as an operating expense. To us this seems unreasonable as related to the ongoing operations of the existing facilities. It should not include marketing, new construction or future planning components. We have no access to any supporting data and of course make the assumption that the corporate profit factor--and as developers they are entitled to a reasonable profit--is built in as a component of the basic land rent and the original retail sale of the home.

The landlord is a private corporation not making public financial reports. Our concern in this area therefore focuses on our inability to get supporting data and explanations related to expense claims that we now in some cases pay directly, the post-1975 group, and that under Bill 51 will form a significant part of the base for any future escalation considerations.

We recognize that in a hearing before the commission, a rent review officer can demand supporting documents. However, it is not reasonable to expect a hearing to delve into accounting practices or management policies.

As an additional point related to our current classification as mobile homes, we note that the landlord is allowed extra latitude in his option to detail or group administration expense when applying for a rent increase, i.e., 10 per cent versus the normal five per cent.

We recommend that Bill 51 include provisions that oblige the landlord to fully document and permit independent audit of maintenance and operating expense statements submitted as part of any escalation application, including the initial base period from which this escalation is to be calculated. This requirement may be needed only in regard to the particular category of housing accommodation we represent.

Section 4, rent spreads: Since Sandycove Acres was established in 1970-71, with base land rent escalation then at two per cent, to current new homes with leases that stipulate five per cent escalation on current land rents, we have a wide disparity in monthly costs for essentially identical services and facilities. Today these range from about \$112 to about \$277 per month, excluding municipal realty taxes.

Preferred home locations have been charged as an extra on the initial home purchase. There are variations in the assigned space for personal use, but these are not formally recognized, nor do they follow a pattern. There is no apparent justification for these spreads that have developed over the years as a result of market conditions. Given any structure of overall percentage increase over time, these spreads will increase in dollar terms.

While we are most reluctant to suggest penalizing the early residents at the low end of the land rent spread, fairness requires that future increases somehow be more equally distributed. We recommend that Bill 51 provide that all future rent increases be so structured and the trend towards greater rent spreads be gradually reversed.

Again, we suggest the degree of this problem may warrant special provisions applicable only to our specific accommodation type. Because we see our situation as rather unique to our type of housing accommodation, as an aid to research by your staff, we extend an invitation to both committee members and staff to visit with us, see our homes and become familiar with the details of our situation. This can be, of course, at the convenience of the members and the staff.

On behalf of Sandycove Acres Home Owners' Association, we wish to thank you for your attention this afternoon.

Mr. Chairman: Ms. Lea, I have no hesitation in saying that is the best offer we have had since the hearings began.

Ms. Lea: We will even give you a cup of tea or whatever.

Mr. Chairman: I do not doubt that a bit. Are there some questions from the members of the committee?

I should extend a particular welcome to Mr. Stelling, whose son has served this assembly with distinction as Sergeant at Arms for more than 10 years.

Mr. Stelling: Thank you very much.

Mr. Chairman: I am sorry he is here to hear that, because he will be impossible to live with in the next session, but I felt I must say it.

Mr. Reville: You have made a very unique kind of presentation. You have made your presentation very well. I do not have any similar situations in my area, but I would like the ministry to comment on whether their thoughts have been directed to your specific problem.

Mr. Church: Yes, we have been aware of both Sandycove and the two other large-scale projects of a similar and somewhat newer nature. It is my understanding that under Bill 51 as it is now, those rental agreements will be covered and will be required to register. Louise, I am looking at you to confirm this. In that process--this is where once again we leap into an intimidating process--it will be necessary for us to rationalize, along with the managers of your community, all those variations you speak to.

I have been very careful not to make too many guarantees, but during the accounting process we will attempt to re-create the accounts--and we will get the full co-operation of your management--and provide some kind of framework to determine what is legal and what is not legal under the statute. It may very well be that will institutionalize the existing differences. Again, Louise, I do not think equalization applies in this case, does it? It is within a single building; it would not be within a community.

Ms. Stratford: It is quite possible that these sites could be regarded as a residential complex, in which case yes, equalization could apply.

Mr. Church: So there is a possibility that we could solve your entire problem. There is also a possibility that we could solve some of your problem, and in the worst case at least we can probably keep it from getting any worse.

Mr. Stevenson: I have heard that there are some portions of Florida legislation that are considerably better than Ontario legislation as it relates to situations like yours.

Ms. Lea: Too true.

Mr. Stevenson: Does that Florida legislation relate to aspects of Bill 51, or is it really outside of the scope of Bill 51?

Ms. Lea: I have just received a copy of the Florida legislation and I am not totally conversant with it as yet. Paul, do you know, or Jim?

Mr. Burkholder: I suggest that the problems to which the Florida legislation was directed are quite different from the situation we are in. Without lease protection, some of the residents in somewhat similar accommodations were literally being gouged and were not in any way organized to provide any degree of protection. One of the main thrusts of the legislation down there is to sponsor the organization of groups such as ours to speak on behalf of groups of residents and make sure that some of the issues are brought to light. It is much more detailed than would be needed in the Ontario situation.

16:40

Mr. Stevenson: Could we obtain a copy of that Florida legislation?

Mr. Church: I am sure we can. If we can track it down on the basis of the description in Hansard, yes.

Mr. Stevenson: Thank you.

Mr. Chairman: Thank you very much for your presentation. We do appreciate it.

The next presenter is Vicky Pelechati. Is there anyone here who is scheduled to appear at four o'clock? Perhaps it is a no-show.

Is Toronto Apartment Buildings Co. Ltd. here? Mr. Doumani?

Mr. Doumani: I have with me Mr. Sobottka. He is a vice-president of Toronto Apartment Buildings Co.

Mr. Chairman: Welcome to the committee. Proceed at will.

Mr. Doumani: Thank you. I believe the written brief is filed with the committee as exhibit 78.

TORONTO APARTMENT BUILDINGS CO. LTD.

Mr. Doumani: The Toronto Apartment Buildings Co., which I will refer to as Tabco from now on, and Toronto Furnished Suites have a number of suites in various buildings across Metro that are furnished. Typically, those suites are fully furnished; towels, linen, decorations, cooking utensils, cutlery and eating utensils are provided.

Those suites are offered as transient living accommodation to visitors and convention visitors to Toronto. They are offered to tourists. They are a particularly attractive form of accommodation in terms of the economics and practicalities to tourists travelling with young families because you will appreciate that they have kitchen facilities, unlike the traditional hotel.

Those suites also provide flexibility to a large number of persons who find themselves between permanent homes. Typically, someone will have sold his house; the closing occurs, say, today, and the purchase of the new house does not close until next month. The suites are used for persons looking for short-term accommodation where they do not have to move their furniture and belongings on two occasions.

The activities of Tabco and Toronto Furnished Suites are actively assisted by the Ministry of Tourism and Recreation. Tabco brochures are on file with the ministry, and the ministry from time to time recommends Tabco's operation.

In most cases, the transient-living-accommodation suites are located in buildings containing long-term rental apartments. The revenues from the operation of the transient suites subsidize the costs of operating the long-term rental apartments. I have noted that Tabco and Toronto Furnished Suites have not made application since 1982 for rent review in buildings in which they have a significant number of transient suites.

As such, I suggest that the transient accommodation presents significant benefits in assisting to attract business and tourist visitors to Ontario and in providing flexibility for residents of Ontario who are between permanent homes. It provides revenue to the province through retail sales tax, which is exigible, on the suites, and it insulates long-term rental apartments from rent increases in excess of the guideline.

Notwithstanding those benefits, the history of transient living accommodation in this province, not just for Tabco but also for others, has been that the commission has almost never recognized those suites as exempt from rent regulation under clause 4(a) of the existing Residential Tenancies Act. That problem has led to numerous court proceedings, including proceedings currently before the Divisional Court.

Much of the problem seems to stem from the unsatisfactory language of clause 4(a) of the Residential Tenancies Act, which does not clearly contemplate this type of transient living accommodation. That is why my client, and I think the industry generally, was gratified to see the inclusion of the phrase "suite hotel" in the modified exemption provisions in clause 4(1)(a) of Bill 51. Such a phrase, if properly defined--and I understand it to be defined and refined by regulation rather than by amendment to the statute--would eliminate the uncertainties and difficulties encountered in administering the present act and the recognition of transient living accommodation as a legitimate and beneficial business activity.

Tabco comes forward today to propose to you some methods of fleshing out the definition of "suite hotel" by regulation as you come to refine Bill 51. In doing that, it asks you to keep in mind two factors. First is the existence of Bill 11, now called the Rental Housing Protection Act, 1986, which, as I read it, essentially freezes the situation as it stood on January 9, 1986, with respect to conversions to suite hotels.

Second, in view of the fact that market conditions can change--and there still is a market out there that operates--there is a need to develop a flexible system that recognizes the legitimate and proper need to protect long-term tenants, while at the same time recognizing that there is a legitimate and beneficial business out there in transient living accommodation.

Specifically, Tabco is proposing to you through this brief that where a unit possesses the appropriate attributes--and I will come back to that--the unit and building should qualify as a suite hotel, which is exempt under the bill, without prejudice to the right of the occupant at any time to bring an application for a declaration of lawful rent and rebate, on the basis that the occupant has developed a stake or sense of belonging in the unit such that it becomes his or her permanent residence.

I just want to expand on that for a moment. Experience has shown from time to time, for whatever reason, that someone starts out in one of these transient suites for a truly transient purpose. I was at a hearing where a fellow said: "I was suddenly and violently parted from my matrimonial home and needed a place to stay. All I had was the clothes on my back." He clearly was transient in the sense he was passing from one place to another, albeit involuntarily. However, over time he began to regard the transient unit as his home, moved his furnishings in, decorated it, got a phone and acquired cable TV. At some point, that unit probably should become controlled again, and that is the flexibility that I think is needed when you are designing the regulation.

Second, that flexibility would allow you to preserve a lawful base rent running with the unit and protect someone who truly becomes a permanent resident, while permitting the transient business to be carried on and not giving a windfall to those persons who simply take a transient suite for two or three weeks because they are between houses or here on convention or other business.

Third, it is suggested that the recognition of suite hotel units would be subject to these conditions. First, the maximum number would be limited to the number of suites available on July 9, 1986, being the day before Bill 11. That way, notwithstanding what Bill 11 says, there is no incentive to attempt to convert, terminate tenancies or otherwise increase the number of transient units. It recognizes the freeze.

16:50

Second, we are suggesting a monitoring process--possibly through the registry division, but I presume it will be busy as it is--to ensure that the number of suite-hotel units being offered does not exceed the maximum, that persons seeking permanent accommodation are not being coerced into taking suite-hotel units and that the person occupying such a unit has not acquired such a stake in the unit as to be entitled to the long-term protection under the bill.

To facilitate that monitoring process, it is suggested that, first, a prescribed guest application or registration form be required, that it must be filled out, that it must be kept in a file and that it must be available to the monitoring process. The form would show, among other things that are suggested, the permanent address of the occupant, the purpose of the visit and the proposed length of stay. Where practical, and provided the tenancies are not terminated to accomplish this result, it is suggested the suite-hotel units be grouped or collected in a specific portion of the building, on one floor, for example.

To qualify as a suite hotel, it is suggested that the unit possess at least the following minimum physical attributes: (1) that it be fully furnished; (2) that there be linen, towels, cooking utensils, dishes and cutlery provided; and (3) that some sort of separate check-in and check-out facility be provided inside the security barrier of the building.

I do not think physical attributes alone make a suite hotel. There have to be other factors, other things provided. In paragraph 6 of the brief, it is suggested that a daily and weekly rate regime be established, that it be available for inspection as well and that the rate be posted in the unit. Second, it is suggested that payment be accepted in methods that one would not traditionally associate with long-term rental units, namely, travellers' cheques, money orders, credit cards or corporate cheques; that there be an advance reservation system; that no security deposit be taken; and that, at a minimum, some form of maid service be provided at the guest's option in a two-tier or multi-tier rate structure.

Next, it is suggested that the same person does not continuously occupy the unit for more than 60 days. It is my client's impression, based on experience, that 60 days is the beginning of the cusp where the person slides over into having a long-term stake in the unit.

Let me give you some background to the next three points on page 5. Again, experience has shown that some people enter these transient suites saying--and I have no reason to disbelieve them--that they did not know what they were getting into, although it certainly did not look like the usual apartment format. So that there be no misunderstanding and no one be led astray, it is suggested that a sign be posted in the unit specifying that the unit is, in fact, a suite hotel and that it is not protected under the Landlord and Tenant Act, the Residential Tenancies Act or whatever you eventually call Bill 51. In case that escapes someone's attention, it is suggested that on the prescribed registration form a warning be displayed to the same effect. Finally, it is suggested that there be a check-out time.

All of these things give you some comfort that the indicia of suite hotel is there in the operation.

The Toronto Apartment Buildings Co. Ltd. believes these are reasonable proposals, upon which a dialogue for the recognition and continuation of the suite-hotel business can go on, thereby bringing an end to the present uncertainty, the present proliferation of commission and court proceedings and any future court proceedings that may arise.

I have noted in the brief--and you can ask your technical staff if you wish to look at them--that I do not think it is enough to simply put suite hotel into Bill 51 and then flesh out that term by way of regulation. I think you are going to need some consequential amendments to regulations under other statutes, and I have listed those on page 5 of the brief.

I think that is a reasonable outline of what was proposed as a means of having a dialogue here or with the Rent Review Advisory Committee or somewhere else when you begin developing detailed guidelines.

Mr. Chairman: Thank you. Are there any questions from members of the committee? Perhaps not. Thank you very much for your presentation. There have been people here from the Ministry of Housing who are movers and shakers and I am sure they have heard what you have to say.

That completes our afternoon deliberations. We shall meet here again at seven o'clock this evening.

The committee recessed at 4:56 p.m.

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

RESIDENTIAL RENT REGULATION ACT

WEDNESDAY, SEPTEMBER 3, 1986

Evening Sitting



CHAIRMAN: Laughren, F. (Nickel Belt NDP)
VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)
Bernier, L. (Kenora PC)
Cordiano, J. (Downsview L)
Epp, H. A. (Waterloo North L)
Knight, D. S. (Halton-Burlington L)
Pierce, F. J. (Rainy River PC)
Reville, D. (Riverdale NDP)
Smith, E. J. (London South L)
Stevenson, K. R. (Durham-York PC)
Taylor, J. A. (Prince Edward-Lennox PC)

Substitutions:

Davis, W. C. (Scarborough Centre PC) for Mr. Bernier
Miller, G. I. (Haldimand-Norfolk L) for Mr. Epp

Clerk: Decker, T.

Staff:

Richmond, J. M., Research Officer, Legislative Research Service

Witnesses:

Individual Presentation:

Krmptotic, Z., Member, Fair Rental Policy Organization of Ontario

From the 57 Charles Street West Tenants' Association:

Langlois, J. C., Chairman

Bishop, A.

McGrigor, I., Co-Ordinator

Shron, P., Administrator

Pouliot, G. (Lake Nipigon NDP)

From the Ministry of Housing:

Church, G., Assistant Deputy Minister, Corporate Resources and
Building Industry Development

Individual Presentation:

Deitlein, A.

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Wednesday, September 3, 1986

The committee resumed at 7:16 p.m. in room 228.

RESIDENTIAL RENT REGULATION ACT
(continued)

Consideration of Bill 51, An Act to provide for the Regulation of Rents charged for Rental Units in Residential Complexes.

Mr. Chairman: The committee will come to order. Mr. Ramsay, stop hassling the witnesses.

Mr. Ramsay: He was a good friend.

Mr. Chairman: We have a full schedule this evening, so we should move right along. Mrs. Krmpotic, make yourself comfortable at the table. We welcome you to the committee.

MRS. Z. KRMPOTIC

Mrs. Krmpotic: About three years ago, my husband and I bought 17 units in Burlington. We paid quite a substantial down payment, about 47 per cent, of our hard-earned savings. We financed that building, and after three years, we still have a big loss.

I was through two hearings, and at the last hearing a certain commissioner stated something in his order. I rent the tenants' fridges and stoves; I like to give to my tenants all the best, and I like to provide them with good accommodation and good premises. However, when I was at the last hearing, the tenants were complaining that we charge them for extra appliances.

When we took the building over, I got the leases from my lawyer. The leases were signed by the tenants and said \$5 is charged for the extra appliances; so I continued to charge them for the extra freezer or air-conditioner. Some of them even have three air-conditioners in their apartments. Can you imagine? Some of them even bring washing machines into their apartments in order not to spend anything in the laundry.

The second commissioner in the hearing said: "My order will specifically forbid such collection, as the expense of the energy to run the appliances is the overall cost calculated in the rent increase. The landlord must discontinue those charges."

Tenants were even more discouraged to use appliances. They start to bring in so many. Separate appliances take so much energy that we are running a very high electrical bill, and electricity costs are going higher and higher all the time.

I do not know what Bill 51 will do to help landlords in this way. There are scrupulous tenants, good tenants, but some of them, if you tell them you are not going to fix the fridge, which by their negligence was punctured with

a sharp object or something and the Freon has gone out, do you know what they are going to do? They are going to plug in appliances day and night to put you in a problem. If you come and say, "Cats are not allowed in this building"--when they show me the screen door, I say, "Yes, I will fix that screen but when the cat will be out." I can fix it, but the cat again will do the damage.

They will just plug in appliances, and then you see next month. I did not bring the three bills, but one month I had a \$250 difference. I got on to Hydro and said: "What is going on? Did you increase hydro so much this year?" They said: "No, Mrs. Krmpotic. We increased hydro five per cent. We did not increase it so much, but it might be something in your building. Anyway, we are going to send somebody to check again." They told me everything was okay, but they said it might be so many appliances and waterbeds. They told me that a waterbed took about \$6 a month, and so many water beds are brought into my apartments too.

One tenant called me to tell me her fridge was broken. I said: "Sorry, but my duty is not to fix that, because the Freon has gone out. I see a hole here; that means you cleaned it with a sharp object. It is negligence. You will have to fix that." So she started to complain about other things. We had tremendous expenses with the building. Since we bought the building, we put a new roof on, we put in fire alarms systems, we upgraded the laundry room--so many things. She said: "You should have come and asked us whether you should buy this building. We would have told you the truth about this building."

I am asking you, if we start to ask the tenants, would we invest in Ontario? Where are we going to come? There are some people who do not have (inaudible), who do not have the desire to create something. How can they give me advice about what I going to do or not? I did not even have an answer for this lady. I do not know what I would even tell her, because, of course, she would not understand me.

I think one paragraph in Bill 51 states that tenants should have the right to interfere with the responsibility of how we are going to maintain our building. No, they have no rights to participate in such things. Only if they took a financial risk in these long-term commitments, then I would say they would have. But they are sleeping peacefully while we are worrying about our finances, and so they have no right to do that.

As I said, we expected that we would have some return on our investment, for which we worked so hard for 26 years. Instead, we have a loss. It looks as if we worked so hard and saved our money just to help somebody without shelter to have bargain accommodation. These bargain accommodations are being enjoyed by people who could pay. In my building, there are lots of people with good incomes who could afford to pay even \$600 and \$700 and they are living for \$394, including parking, hydro and heat--everything.

I know there are some people who have to be helped, such as sick people and old people with low incomes. We landlords, especially people who work so hard--I am a small landlord; I have only 57 units--are not supposed to have such a burden on our shoulders. We should have at least some return on our investment and not lose and lose and have to worry every year.

Government should help these people, but it is not the landlords who should help. I do not think so. It is not right or just. The government has to implement some program to help these people who cannot afford decent accommodation, to help the needy by building low rental housing units for them. It should not be put on us because we landlords are hard-working and

poor people too. If we do not have revenue from our investment, then why do we work so hard all our lives and why do we save so hard?

That is what I have to tell you today. I do not know what Bill 51 will do in this area to help us.

Mr. Chairman: Thank you. Did you say you have 57 units?

Mrs. Krmpotic: Yes; 57 units.

Mr. Chairman: Are you a member of any organization?

Mrs. Krmpotic: I am a member of the Fair Rental Policy Organization of Ontario. I belong to that.

Mr. Chairman: They at least tell you what is in Bill 51 and give you some idea of what this legislation means.

Mrs. Krmpotic: I have some idea of what Bill 51 means, but I did not get Bill 51 completely. I did not read every paragraph, but they sent me a letter and I know what is stated in it.

Mr. Chairman: We do not blame you for not reading every clause of Bill 51.

Mrs. Krmpotic: I have some idea because I read some of Bill 51.

Mr. Chairman: Are there questions from members of the committee?

I think you have expressed what a number of what we could call small landlords have expressed before the committee. We appreciate the fact that you have taken the time to come here and tell the committee about your fears.

19:30

Mr. Chairman: The next presentation is from the 57 Charles Street West Tenants Association.

I would be remiss if I did not recognize the member for Lake Nipigon (Mr. Pouliot), who is in the audience tonight. He is usually sitting around a table such as this rather than sitting in the audience gloating at our predicament. Welcome, Mr. Pouliot.

Mr. Pouliot: Thank you. I live at Charles Street West.

Mr. Chairman: Is this Mr. Langlois?

Mr. Langlois: Yes, it is.

Mr. Chairman: Mr. Langlois, I believe you have an overhead presentation.

Mr. Langlois: That is correct.

Mr. Chairman: Welcome. We are always excited to have some high technology make an appearance in this committee.

57 CHARLES STREET WEST TENANTS ASSOCIATION

Mr. Langlois: This evening I am presenting on behalf of the 57 Charles Street West Tenants Association. I have with me tonight Phil Shron, Ian McGrigor and Alana Bishop, who are fellow residents in my building and would like to ask questions at the end of my presentation, if that is okay with you, Mr. Chairman.

Mr. Davis: That is different. You can ask the Liberals all the questions.

Mr. Chairman: Usually we ask you the questions, but that is fine. We will cope with it.

Mr. Langlois: In August 1985, Bill 77 was passed, but Bill 78 was referred by the government to an advisory committee that was to re-examine its promise of limiting rent increases to four per cent annually to post-1975 buildings. The suggestions made by the committee formed the basis for the new Bill 51.

We of the 57 Charles Street West Tenants Association will discuss the following points: (1) the promise and the interparty accord; (2) inequality of proposed legislation; (3) examples of rent increases; (4) options open to tenants; (5) the tenants and advisory committee; and (6) our conclusions and recommendations.

1. The Liberal Party campaigned and won the last election with the promise to extend rent controls to post-1975 buildings, limiting rent increases to four per cent annually, as described in Bill 78. This was endorsed by the New Democratic Party-Liberal accord. The Liberal government has since retracted the agreement of a four per cent annual rent increase to post-1975 buildings. Bill 51 instead paves the way for 10.1 per cent annual rent increases. We find this unacceptable.

2. The inequality of proposed legislation: Instead of simply extending rent controls, following equal guidelines for all apartment buildings, the government is proposing two different formulas to calculate rent increases. Bill 51 in its present form would allow five per cent per annum higher rent increases to tenants in post-1975 buildings than would be allowed for pre-1976 buildings. This means a two-tiered rent control structure based on the year of building occupancy.

3. Examples of rent increases: 57 Charles Street West opened in 1980. From 1981 to 1985, an average 11 per cent rent increase per year has been seen in our building.

In figure 1, we are plotting against these rent increases--which are shown by this curve--other curves, including the consumer price index and the residential rent index. Most important, we have calculated the building operating cost index curve, which is described in Bill 51. Please note the discrepancies among these three curves and our rent increases in 1985.

In figure 2, which is essentially derived from figure 1, our 11 per cent annual rent increases do not follow the national trend. For example, the consumer price index has fallen from 10.8 per cent to four per cent, the residential rent index has fallen from nine per cent to 4.2 per cent and the building operating cost index has fallen from 11 per cent to 4.8 per cent. With 11 per cent annual rent increases, our rents seem highly inflationary

when compared with this study. We note from 1984 to 1985 there is approximately a factor of two and a half between these curves and our rent increases.

Also our landlords seem to be unaware of these decreases in cost. If I may, I have an excerpt of my tenancy renewal agreement I would like to read to you.

"We at Maysfield Property Management are proud of the standards of service and maintenance that have been provided during your residency. You are aware, no doubt, of the tremendous increases in providing the necessary services, such as fuel, electricity, repairs and maintenance, realty taxes and wages."

All of these items are mentioned in the building operating cost index and, as it is clearly shown, these are not increases but decreases since 1981.

Here are samples of rent increases in our building.

Mr. Chairman: The overhead does not show the inflation rates and the rent increases on one chart, does it?

Mr. Langlois: Yes, it does. I am sorry. This line here is the 11 per cent average rent increase per year that has been estimated in our building. We do not have all the figures; we have averaged it out for all apartments, and it should show you on this right here which are the rents themselves.

For a bachelor unit in 1980, it was \$309 and increased to \$508 in 1985. For a one-bedroom unit, it was \$415 in 1980 and increased to \$684 in 1985. A two-bedroom unit was \$484 in 1980 and increased to \$833 in 1985. In 1986, we have a bachelor unit for \$547. We have a one-bedroom unit for \$752 and a two-bedroom unit is now at \$916.

Not only are the rent increases excessive, but so are the rents themselves, for which Bill 51 would allow an additional 10.1 per cent per annum to owners. Basically, the tenants in our building are being gouged.

We are at item 4, which is Options Open to Tenants. Either a tenant may continue to pay inflationary rent increases or the tenant may move out. Locally, there is a 0.2 per cent apartment vacancy rate. This makes it very difficult to find suitable accommodations. At the same time, most tenants' incomes do not increase in the area of 10.1 per cent per year each and every year. The result is that tenants who stay find their disposable income shrinking every year.

Tenants and advisory committee: The Minister of Housing (Mr. Curling) stated in the Legislature that tenants agree with the recommendations made by the Rent Review Advisory Committee. We of the 57 Charles Street West Tenants' Association do not agree with his statement. Although we agree with the committee's structure of equal representation of both tenants and landlords, we feel the main concern brought out in the committee's report with respect to post-1975 buildings concerned the landlord's financial needs.

What seems to have been ignored or not considered by the committee was the real situation of individual tenant's finances.

In conclusion, the government initially promised a four per cent maximum rent increase. Contrary to that pledge, Bill 51 allows 10.1 per cent rent increases for post-1975 buildings. Based on the statistical data I have presented in figures 1 and 2, the proposed Bill 51 ignores the current rate of inflation for post-1975 buildings. The government is offering less financial protection to tenants in post-1975 buildings than it provides to tenants in pre-1976 buildings with the discriminatory two-tiered rent control structure set up by Bill 51.

We suggest the government reassess the Rent Review Advisory Committee's report in so far as it ignores the tenant's financial situation with respect to earned and disposable incomes. We recommend that the government institute one rent control system that treats tenants of all apartment buildings equal.

We would like to submit a list of names of tenants in our building who are in agreement with this brief. Maybe we should proceed with questions, if that is okay with you, Mr. Chairman.

Mr. Chairman: I believe some members of the committee have some questions of your group.

Mr. Reville: Thank you for your presentation. We like the high tech. I noted in my notes before you arrived that I might have to talk about a potential conflict of interest since my colleague Mr. Pouliot is a tenant at 57 Charles Street East, but seeing that he has appeared and has not forgotten that he is a tenant in that building, we probably do not have to deal with that at all.

Can you tell us who the owner of your building is?

Mr. Langlois: The owner of our building has passed to Pagebrook Holdings.

Mr. Reville: That would not be Bill Grenier, would it?

Mr. Langlois: That is correct.

Mr. Shron: One and the same.

Mr. Reville: Is that not fascinating?

Mr. Davis: You did not know that?

Mr. Reville: Actually, I knew that. I confess I knew that.

Mr. Ramsay: The name is familiar.

Mr. Reville: One of the things the landlord group has been telling us is that landlords cannot make out. I find your graphs interesting, particularly figure 2, which is kind of a new version of the Pythagorean theorem, obviously, particularly when the inflation rates are going down so sharply and your rent increases have been maintaining what in other circumstances would look like a biorhythm in which the patient is dead. I suppose you feel as if you are almost dead.

Mr. Ramsay: It is called the bottom line.

Mr. Reville: It is the top line; that is the problem.

Your rents are considerably higher than average rents. I guess you are aware of that. Let me tell you how much higher they are, if you are curious at all.

Mr. Langlois: Sure.

Mr. Reville: The average rent for a two-bedroom apartment in Toronto in 1986 was \$487.

Ms. Bishop: Is that all buildings?

Mr. Reville: Yes. You might want to compare that with your \$916. Do you have any comments on that?

Mr. McGregor: Where can we get one and when?

Mr. Reville: I do not think there are any available. That is one of the problems. I am glad you are here, because we have not heard very much from tenants in post-1975 buildings. One tenant advocate indicated to me that this bill was like a blanket. The blanket used to be only over buildings occupied before 1976. It has now been stretched to cover post-1976 buildings, making it half as thick. You have made the point that for post-1975 tenants there is considerably less protection in Bill 51 than you have been led to believe.

Mr. Langlois: That is correct.

Mr. Reville: What is the mood of the tenants in your building at the moment?

Mr. Langlois: Even though it may have been controlled this evening, I think the mood is outrage and despair. Offhand, I can name about 20 people who are in a bind. They have to leave. Where do they go? It is a problem. With all the income that our landlords have received since 1980-81, I believe it is about time that we imposed legislation, as the Liberal government wants to do, but the difference between 11 per cent and 10.1 per cent is minimal. We have to reduce that even more.

Mr. Chairman: Can I stop you there to ask where the 10.1 per cent comes from?

Mr. Langlois: Yes. I understand the 10.1 per cent, essentially, is the guideline that is supposed to be instituted for our building, the guideline being the residential complex cost index. RCCI seems to have been estimated for 1987 at 5.1 per cent. For post-1975 buildings, we have inherited a five per cent increase on top of that 5.1 per cent, which brings the figure to 10.1 per cent.

Mr. Chairman: Would you mind, Mr. Reville, if I asked for a clarification on that?

Mr. Reville: No. You might as well because some other members of the committee will want to know that.

Mr. Chairman: Mr. Church, can you help us out?

Mr. Church: On two points, our indication is the guideline might be marginally higher than 5.1.

Mr. Chairman: Post 1976?

Mr. Church: For both. There is no discrimination between post-1976 and pre-1976 buildings. I am not aware of any pass-through other than that resulting from economic loss.

Mr. Langlois: Rate of return.

Mr. Church: That is correct.

Mr. Shron: That is not economic loss.

Mr. Langlois: Yes. It is the same; they just word it differently.

Mr. Church: To go back at it, when that building was built, it was built with an expectation of a rent to carry it. In all probability, looking at the figures--and I know nothing about the building except that it is a tower at the corner of Bay Street and Charles Street--it probably cost about \$80,000 per unit to build, which costs \$950 a month to carry--

Interjection.

Mr. Church: I am doing simple math here, folks, and that is the way the rental industry is in 1980.

Ms. Bishop: There are two buildings on the corner. I think you have the wrong building.

Mr. Reville: You have the other building.

Mr. Church: The fact is that in downtown Toronto it would cost substantially more than \$120 per square foot to build a building. It does not much matter how you cut it, that is the basic cost. I am by no means trying to justify any rent increases but simply to explain that there is no discrimination here. If your landlord is still losing money at the current rents, then surely it is only rational--

Interjections.

Mr. Chairman: Order, please. Mr. Langlois, if members of your delegation want to take part, then I encourage them to come up to the microphones so they can be recorded by Hansard. Otherwise, there will be no control over the meeting. Let Mr. Church finish.

Mr. Church: On the other hand, it may well be that these are pre-1976 buildings. I understood they were not--

Mr. Reville: No. They are not.

Mr. Church: This building was first occupied in 1980?

Mr. Langlois: In 1980. That is correct.

Mr. Church: Then it would seem to me to be almost a truism that the buildings are only now getting into a position where the revenue is exceeding the carrying cost of the building.

Mr. Langlois: I think I have shown on these graphs that, yes, they are exceeding it quite a bit.

19:50

Mr. Church: The graph has left out some very significant figures. For example, I saw nothing there about mortgage financing. I saw nothing there at all about the initial investment and a return thereon.

Mr. Langlois: I need clarification on Bill 51. Maybe I could add to your initial attempt of the rate of return. I believe the bill states that post-1975 buildings would receive a 10 per cent rate of return, minimum.

Mr. Church: No, not quite. The bill says that once a building is achieving a 10 per cent rate of return--that is the figure at the moment; in the future, it will be a slightly different formula--then its legal maximum rent would be subject to exactly the same conditions as a pre-1976 building; but as long as the building is producing less revenue than that, it is deemed to be producing an economic loss.

Mr. Langlois: Okay. So Bill 51 is ensuring that landlords will make 10 per cent. If they do not meet the 10 per cent, we have the figure of five per cent. I would like clarification on where that number came from.

Mr. Church: That is quite a different point. That applies to both. That is why I was trying to clarify what we were dealing with. If we are talking about a question of a building that is not yet renting at an economic level, then essentially we are talking about a transitional provision in Bill 51. It says that once a building is renting at an economic level, it may not go above that level. That is simply setting the point at which it is phased in. We have not yet heard anyone suggesting we should be expropriating that, but I think the five per cent that you are referring to deals with a financing loss pass-through. If the building has been sold recently--if sounds as if it may have been--

Mr. Reville: No, it has not.

Mr. Church: If it has just changed to Pagebrook, it sounds--

Mr. Langlois: It was BCYN MURB Management and it changed to Pagebrook.

Mr. Church: Conceivably, it could have changed management or ownership or it could be some kind of syndication. If it has changed ownership and the new ownership is running it at a loss as a result of new financing on the building, then you could have an annual pass-through of five per cent until they get to the break-even point.

Mr. Langlois: For every time the building is sold and bought, the tenants will have to pay for the financing?

Mr. Church: Until the landlord gets to the break-even point. He will continue to lose all of his previous losses.

Mr. McGrigor: Is there anything to stop a landlord from washing it from Pagebrook to BCYN and back to Pagebrook, back to BCYN and so on?

Mr. Church: Yes, there is. That is the point I am trying to make. I really want to be very careful here because it is a fundamental point in the bill, which the members have been struggling with and we have certainly been struggling with.

Let us set aside any sale. Let us assume this was still the original owner and it was not producing an economic return; then that building would be able to float at the market--that is not a guarantee. In many instances, it cannot produce an economic rent, which is why you were not paying \$950 when you moved in. It is because he simply could not have collected it. It would move up at that pace until it hit that point and then be controlled. That is one set of provisions in the bill.

Another set of provisions deals with what happens if the building is sold, whether it is pre-1975 or post-1975. I believe that is where you are getting your 10.1. I assure you the provisions are exactly the same for pre-1975 and post-1975 in that instance. It is not discriminatory. You may not like it, but I am just clarifying here that it is not discriminatory.

Mr. Langlois: Assume I am a landlord, I have a post-1975 building and I want to make money. The government is going to help me out with this. If I am not making a 10 per cent rate of return, it will allow me to increase, on top of the set guideline, a certain percentage.

Mr. Church: No. That is not the provision.

Mr. Langlois: So the 10 per cent rate of return is what?

Mr. Church: Basically, you are living in a building that is controlled by the marketplace. It is now about to be controlled by two things, the marketplace or a rent ceiling, a legal maximum rent--

Mr. Langlois: Which is, for post-1975?

Mr. Church: The legal maximum rent is the total cost of operating the building plus an amount of 10 per cent on original investment.

Mr. Langlois: Pre-1976 buildings have that?

Mr. Church: Pre-1976 buildings are already controlled. They are controlled at whatever point they were at, whether they were earning 70 per cent on return or nothing. They are already controlled.

Mr. Langlois: The 10 per cent you are talking about seems to apply to post-1975 buildings only.

Mr. Church: With respect, if what you are telling this committee is that you are incurring a 5.1 per cent guideline increase plus five per cent for financial loss, that applies pre-1975 and post-1976 in exactly the same way. If on the other hand what you are telling the committee is that you are paying a higher amount while the landlord moves to an economic rent, that is a different matter. You may be just as indignant, but they are quite different points.

On the one hand, what you are saying to the committee is that you do not want to be paying for the financing costs pass-through, and on the other hand, you are saying you do not want to be paying for the landlord being permitted a profit.

Mr. Langlois: A reasonable profit is okay, but paying the financing? Who will partake? Will the tenants partake in the resale value of our building? The return on the investment is--

Mr. Church: Let us get clear what you are talking about, and then it is up to the members of the committee.

Mr. Reville: On a point of order, Mr. Chairman: It seems to me the assistant deputy minister in his zeal is being argumentative with the witness. His role is to explain.

Interjections.

Mr. Taylor: The chairman asked--

Mr. Reville: Can I get the chairman to make a ruling, Mr. Taylor?

Mr. Chairman: Order. Will you let Mr. Reville make his point of order? Then I will rule.

Mr. Reville: It seems to me the ministry official is here to explain what the government policy is and not to argue with the deputant. I ask you to rule that he direct his comments to elucidating what the bill says and not to pointing out to the witness where his fallacies may lie.

Mr. Chairman: I was the one who asked Mr. Church to intervene and assist Mr. Langlois in the point he was making. I do not feel Mr. Church was overstepping the bounds an assistant deputy minister should obey in helping a deputant make his point.

Go ahead, Mr. Langlois.

Mr. Langlois: Alana Bishop has a question for the committee, if that is okay.

Mr. Chairman: Yes.

Mr. Davis: Can I ask a question?

Mr. Reville: On a point of order, Mr. Chairman: I have the floor and you asked if I would--

Mr. Chairman: First, I asked whether Mr. Langlois wished to finish his point. You had raised it with Mr. Langlois. I was encouraging him to finish it. He had asked if he could let someone else finish his point. It seems to me that is not unreasonable.

Mr. Davis: I have a point of order. I want a ruling from the chair. Are we going to allow the delegates who come to ask questions of the committee? If we are, we are setting a precedent that I think you need to understand, that is all.

My understanding is that we ask questions of the delegates and that in the discussion they can raise points they want clarified. To this point, I have not seen any delegates come before us who have specifically asked questions of this committee. If that is their intent, and I do not know whether it is, we need a ruling from the chair to understand that this will be the policy and the procedure we will follow. In the committees I have been on, that has not been the case, but it may be.

Mr. Chairman: I am not sure it requires a ruling, but when a delegation comes before the committee, I believe its purpose is to make a

presentation and then have the committee respond to it for clarification and to encourage any questions in return, flowing from the presentation. I see absolutely nothing wrong with that.

Mr. Davis: I am not arguing.

Mr. Chairman: However, I would be opposed to a delegation coming before the committee with nothing but a series of 100 questions for the members of the committee.

Mr. Davis: I have no difficulty with that. I just wanted the ground rules clarified.

Mr. Chairman: Mr. Langlois, did you or someone in your group have a further question?

Mr. Langlois: Someone in my group would like to ask a question, if that is possible.

Ms. Bishop: Good evening, everybody. I do not really have a question; I want to tell you about myself and the situation I am in.

I have lived in a building for five years. I am a nurse and have been for 16 years. My rent has been increased over the past five years by at least 10 per cent every year, and my wages are always under government controls, three to five per cent, according to the cost of living index. I find myself in a bind. What do you think of that? What should I do? I am not alone. I am here representing a lot of people in the same situation. It is quite drastic. My rent has gone from \$458 to \$750; it has practically doubled. I am a professional and making a fairly good wage, but it is hard. I am paying practically half my wages in rent.

20:00

Mr. Reville: In view of the fact that I have the floor, perhaps this is a good time for me to respond to what the witnesses had to say.

Mr. Chairman: You may proceed, Mr. Reville.

Mr. Reville: Thank you, Mr. Chairman. It is wonderful to belong to the same political party as the chairman. It is a height problem we have here; it has nothing to do with politics.

One of the reasons my party believed there should be universal rent controls is the circumstances you find yourself in. Your rent went up by 50 per cent--

Ms. Bishop: Practically.

Mr. Reville: --and your wages went up by 25 per cent or less.

Ms. Bishop: Not quite.

Mr. Reville: Is it your feeling that less protection is offered for people in buildings rented after 1975?

Ms. Bishop: Yes.

Mr. Reville: How do you feel about that?

Ms. Bishop: I hate it. A lot of my friends live in buildings built before 1975. They are hard to get into. You have to know somebody to get into them. They cannot believe what I am paying for rent.

Mr. Reville: I cannot believe it either.

Ms. Bishop: I am not alone. I am sure people in all the new buildings downtown built after 1975 are in the same predicament, but they are not sitting here before you. What is it going to come to? How high is it going to go? It is only a one-bedroom apartment.

Mr. Reville: Were you paying attention in spring 1985?

Ms. Bishop: To what?

Mr. Reville: Did you hear any political parties talk about four per cent?

Ms. Bishop: Yes, I did.

Mr. Reville: Can you name the parties that talked about it?

Mr. Taylor: What does that have to do--

Mr. Reville: There were three parties talking about it, one that he belongs to, one that I belong to and one that they belong to. We were all talking about four per cent. Did you rely on that? Did you believe that?

Ms. Bishop: Do I believe that you were talking about it?

Mr. Reville: Yes.

Ms. Bishop: I believe perhaps you were talking about it.

Mr. Reville: Did you believe anybody meant it?

Ms. Bishop: I thought it was a lot of talk.

Mr. McGrigor: Some of our tenants believed it.

Mr. Reville: Yes. I understand that in 1986 you already have had notice of rent increases of up to 15 per cent in your building.

Mr. Langlois: Our building in 1986 is pretty average at 10 per cent.

Mr. Reville: Ten per cent.

Mr. Langlois: That seems to be the set rate for post-1975 buildings.

Ms. Bishop: I just got my rent increase for 10.1 per cent.

Mr. Reville: Are people having trouble affording 10 per cent?

Ms. Bishop: I like the area, I like the building and I want to live there. Did you ask me?

Mr. Reville: Yes.

Ms. Bishop: I have a friend who made a lateral move, not even an upward move, into a bachelor apartment. She makes \$32,000 a year, but with taxes, you are not making \$32,000 a year.

Mr. McGrigor: Why did she move into a bachelor?

Ms. Bishop: She could not afford the one-bedroom. You are getting close to \$800 for a one-bedroom apartment. Perhaps it should increase more for the newer buildings but not to the amount that it has. It has been consistent for the past five years.

Mr. Reville: My friends in the Conservative Party are mumbling that you are not under rent review. Is it not the case that you believed you were going to be brought into rent review and that your increase was going to be four per cent?

Ms. Bishop: Yes.

Mr. Reville: Thank you.

Mr. Langlois: I have a speaker who would like to speak but who is not sitting here. His name is Gilles Pouliot.

Mr. Chairman: Mr. Reville, have you finished?

Mr. Reville: Thank you.

Mr. Chairman: The next speaker is Ms. Smith. I have no objections if anyone would like to come up to the table to take part in the process.

Mr. Davis: Can I clarify something? I think I am right, and if I am not, I stand corrected. In contradiction to what my friend Mr. Reville said, I believe that some parties promised post--

Mr. Chairman: Mr. Davis, I thought you were making a point of order.

Mr. Davis: I am making a point of order. Mr. Reville suggested that we said the four per cent applied to post-1975 buildings. I am not sure my party said that; it might have.

Mr. Reville: It is hard to know what your party said.

Mr. Davis: No, it is not hard at all. The issue you are raising is legitimate, but I think you want to have the record straight as well.

Mr. Chairman: Mr. Davis, that is not a point of order or a point of privilege.

Mr. Taylor: It is a point of politics. That is what it is, and that is what we have heard.

Ms. E. J. Smith: As a matter of interest, do you feel you would have been better under the old system? We talked of different percentages such as four per cent or six per cent, but they also went for rent review that looked at costs--not going bankrupt basically.

Suppose the old bill had simply been generalized to include your building; would you have been better off than under Bill 51, or would you have had a problem also?

Mr. Langlois: I assisted at these proceedings early on last week, and I have been hearing the same question asked of people coming up.

Ms. E. J. Smith: We have not had too many that are as recent as--

Mr. Langlois: No. I am not suggesting they were post-1975 buildings. For post-1975 buildings--and we represent them, or our building as well--all I can say is between two bad things, I think we will choose the least bad or the one that is not as bad; so between 10.1 per cent and 11 per cent, I would think we would go for the 10.1 per cent. That does not mean this is better for us or that Bill 51 is protecting us from these exorbitant rent increases.

Ms. E. J. Smith: As you know, it is a very complicated bill, and sometimes when figures tend to overlap it can confuse people. I realize now your 10.1 comes from two fives, more or less, but I think people listening in your delegation could get confused between how you are arriving at that 10 and a return on investment figure, which is 10-plus. I think this is rather important: The return on investment this bill looks to is just one per cent more than putting it in the bank.

I think you recognize this bill is trying in part to encourage building, because I imagine you realize how hard building is to come by. It is pretty hard to look at much less than a return on investment of what you could get one per cent over putting it in the bank. It is a fair amount of work to run a building. Just to hang on for a minute on that, that is the return on investment figure; I am not talking about the flips and the defences that should be put in on that, because I heard your point before on that, and I certainly accept that.

The bill is looking at a reasonable return on investment, and I do not think that is a very unfair one. At least in my community of London, we face a lesser housing crisis. One of the biggest builders is in Cherry Hill, and he is kind of uncle to the whole city when it comes to building. He tends, when he first builds them, to rent at this economic loss. He rents to university students, and he is losing money, but the students turn over and then he builds up his market to a higher rate; I am sure he is able to do it under the old bill--he has both new and old--because of a reasonable return on investment. This is with no flips. He has been there for a long time. At first, he rents, losing money. I have kids and friends of theirs living there, and they know they get a real deal at first because they are into this economic loss phase when they rent below their cost to get the business going. This bill allows for that, and that is part of your problem, that the bill allows for that.

I am new to learning about this, but my understanding is no matter what your market, when the apartment first goes up, there is this need to rent it at a loss and so your first tenants are renting at an unrealistic rate.

Mr. Langlois: Bill 51 is providing, as you said, the 10 per cent rate of return.

You mentioned that this is to promote building construction in Toronto. There seems to be a lot of controversy about that. It seems to be coming from the landlords themselves that buildings will not be constructed.

20:10

Ms. E. J. Smith: No. We had someone on the staff saying they would; so that is neither here nor there. We will not go into that.

Mr. Langlois: In our view, Bill 51 will not promote that. Another question is, on the 10 per cent rate of return, you are mentioning that this should be fair and that it is one per cent more than the bank, but in that calculation nowhere is it mentioned in Bill 51 that part of this 10 per cent--should there not also be the question of an income tax break mentioned in there?

Also, there is the question of the return on their investment, the resale value of the building when they sell it. In our building, we have experienced two landlords. Someone makes money on that; it is certainly not the tenants. What we are talking about is 10 per cent plus an income tax break plus the resale value of the building. That is a lot of money.

Ms. E. J. Smith: You recognize that there is almost no building going on in the rental area. I am hearing you, but you think the profits have been hidden and so on. Basically, I think the government is faced with the fact that the only reason we have to look at this, the only reason government has to get involved in housing, is that if it does not, you could probably be looking at income levels--and I would be interested too in what percentage of income you think is fair for people to spend.

Mr. Langlois: In terms of proportion of their salary? Do you mean one third and one quarter?

Ms. E. J. Smith: Yes. I am curious what your views are.

Mr. Langlois: I have heard figures of one quarter of the gross salary or one third of the net salary. I have been looking around for a while, and I think that is a comfortable rate. If you look at our building, that is not coming through.

Mr. McGrigor: Our building is rent-assisted already.

Mr. Langlois: In the case of Alana Bishop, she is paying more than 50 per cent of her net income. That is too difficult.

Excuse me. Before I run out of time, I would like to have Gilles Pouliot speak. He would like to speak, if that is okay with you, Mr. Chairman.

Mr. Chairman: Mr. Pouliot, will you take a seat at the table? Welcome to these friendly environs. We are pleased that you are here this evening.

Mr. Pouliot: I recognize some familiar faces, and I too wish to convey our appreciation for taking the time and showing the interest. I am sure the tenants of 57 Charles Street West will be the recipients and beneficiaries of the expert opinion and, to a degree, clarification in comments we have received from Mr. Church. We who are somewhat melancholic at times see a direction as opposed to an unbiased opinion. I say this with all due respect, which will give me somewhat increased latitude.

In the mathematical game, and one need not be a mathematical genius emanating from Harvard to understand that the only game in town, Mrs. Smith,

would have to be under the auspices or the "rule" of mercantile and entrepreneurial minds, but we need more houses.

What do you do if you need more houses is to create incentives, a climate whereby it becomes financially rewarding to invest. In the case of the 10 per cent, it says little for someone's social conscience. What it says is that this time it far exceeds or surpasses the degree of normalcy of the marketplace, given the figure of 10 per cent.

Using the 72 factor, we are looking at doubling the money every 7.2 years. It is far beyond what people are expected to pay. In my case, I get a \$10,800 subsidy per year because I live outside Metropolitan Toronto.

Mr. Taylor: There are not many votes there, right?

Mr. Pouliot: Do not force me to take you on a tour of Port Severn. I have done that with my colleagues and they too became bored. They too know very little about the northern part of our region at times.

Having said that, what you have here is people who are simply appalled and shocked. Those people do not make waves. Those people represent above the common denominator in Ontario. They work. They do not know where to turn. In fact, with high rent increases, you are cutting into their traditional Conservative and Liberal political donations. If that is not appalling and shocking, it is certainly a departure from form.

The people are very upset. They are very polite; decorum and good manners have always been the order of the day. They are fed up, because more and more in terms of a percentage has to go for the basic necessity, which is shelter. What has been proposed is morally wrong. In conscience, it should never have been allowed to take place for the average Ontarian; and if it has, if it slips through by virtue of ambiguity of devious schemes, it should certainly never be allowed to be implemented.

I am not accusing, but I am saying that the people will definitely be judged harshly. You are hitting the pocketbook. The people making \$30,000, \$35,000, \$40,000 or \$45,000 are saying: "Enough. What is the use? What am I doing here?"

You have that jurisdiction, those things of reference. You have the support of, I am told, the party that sits, ironically, to my right, but, thank God, to your left, Mr. Chairman. You have the support, I am told. I, too, read the paper. I read the editorials. More and more people cannot get into the housing market. You have a cartel and a monopoly. It is a rental game. It is the Cadillac Fairviews of the world.

I will conclude by saying that surely what is being done in terms of 10.1 per cent--I am not the one saying this. The chart demonstrated that very vividly for all of us to understand. Where does it end? You are using 1975 as a common denominator. You have a latitude of 11 years. Suffice it to mention what will it be when you are talking about 1990 or 1991? Old buildings will get older. New buildings will come in. The Economic Council of Canada recommendation of 25 per cent to 30 per cent for the basic necessity of shelter--and I will conclude--has been exceeded to 30 per cent, 35 per cent and 50 per cent, and it takes much needed money out of our economy.

If it were not for the subsidy, I, being a person of moderate means, as a tenant of 57 Charles Street West could never envisage living in that cement

and glass tower without being gouged. It is time things begin to change.

Mr. Ramsay: Pouliot for president.

Mr. Chairman: Thank you. The next question is from Mr. Davis.

Mr. Davis: I would like to preface my remarks by saying that I agree with the delegation that what Bill 51 indeed does--and it is part of the accord--is create higher rents for tenants across the province, no matter how you look at it.

Mr. Reville: It is not a part of the accord.

Mr. Davis: It certainly is.

Mr. Reville: It is not.

Mr. Davis: That is what it does.

Mr. Reville: It is not in the accord.

Mr. Davis: I am trying not to be political, but I think that is what it does, and I agree with it.

I am going to ask a couple of questions to try to help me understand your position, so that amendments can come forth. What do you believe would be a fair return on investments for landlords? I assume you are a landlord.

Mr. McGrigor: This gentleman was.

Mr. Davis: What do you think is a fair return?

Mr. Shron: I have recently sold the only four buildings I ever owned because I could not make any money.

Mr. Davis: Why?

Mr. Shron: They were pre-1975 buildings. When I bought them I probably felt the inflation rate was going to continue as it was. I bought them in 1980. The market fell out, the interest rates went up to 22 per cent and I lost my pants. The formula for rent control in pre-1975 buildings was such that I felt the landlord was not able to pass on fair increases in cost to the tenants. I sold the buildings because they were costing me money out of pocket every month.

I am now a tenant myself for the first time in many years, subsequent to a divorce. I sold my business and I am on a fixed income; so the rent increases are coming right out of my disposable income.

I sublet my apartment from another tenant about 14 or 15 months ago. The tenant took me down to the office. They decided they did not want to allow him to sublet it. They would much prefer I signed a new lease. They raised the rent \$100, from \$655 to \$755 a month. There was no legislation against that. That was in May. I took that apartment because of a Liberal-New Democratic Party promise that after April, the date of the election, rent increases would be limited to four per cent. I wrote a letter to the company, which said if that legislation went through, it would rebate me the money.

20:20

Somehow, the date got changed in the wash to August. I do not know how that happened. The April date is just forgotten. It is off the record, and you do not hear about it on television or in newspapers. It is gone. In May this year my lease came up for renewal and my rent was raised by more than 11 per cent. My rent on that apartment has gone up from \$655 per month to \$847 per month, an increase of 29.3 per cent in 13 months, and that is completely unreasonable. Even if I were a landlord, I would tell you it was unreasonable.

I am fortunate that I can afford it, but it does take money out of my disposable income. I am trying to put a child through school. My income is fixed, and I cannot find an extra 10 per cent somewhere else. My position is strictly this. We elected you partly, Mr. Church.

Mr. Church: No, sir.

Mr. Chairman: I should clarify that Mr. Church is a civil servant. He is an assistant deputy minister of the Ministry of Housing, and we should not taint him with the policies of the Liberal Party.

Mr. Shron: I am sorry. I thought he was an elected member.

I voted for your party on the basis of that promise. That was the only thing in the entire election campaign I cared about. I thought this was fair and equitable. There is no way to justify a 29.3 per cent increase.

A landlord is dealing with two things: a return on investment based on rental income and an increase in equity. When you increase your equity, especially with the new federal tax laws, the first \$550,000 of capital gains is tax-free. That means every time the cost in our building is increased by five per cent, the value of the building, using a very conservative, for post-1975, six times rent multiplier factor as the value of the building, increases \$750,000 tax free, \$550,000 of it.

It pays anybody to go out and buy a building for five per cent above market and get the money back from the tenants. Anybody can do that and sell it a year later and have the same thing happen, without having to sell it to an uncle or a brother or a numbered company, which we have seen many people do.

There is a tremendous hearing on channel 10 every night concerning the loan of \$2.6 million to a person through a series of numbered companies. Anybody can do that. You can go out and register a numbered company for a couple of hundred bucks, sell the building to it and increase the value of your building \$750,000 tax-free, above and beyond the 10 per cent income you are allowed from your building.

That 10 per cent income figure is ridiculous. Three or four per cent on rental income increase in the building is a fabulous return on your money when you take into consideration that every time you raise the rent by five per cent, you increase the value of your building six times that amount.

Mr. Davis: If I were a landlord, why would I invest in a piece of real estate from which I am going to get three or four or five per cent when I can go to a bank and put a lot of money into short-term loans and get 6.25 to 7.25?

Mr. Shron: If you want to go a little bit longer, you might get seven or eight per cent today. If I invest \$100 in the bank today and I get \$8

back in interest, the government takes away \$4 in income tax. If I invest the money in a building and get four per cent return and pay two of that away in income tax and then make five or six per cent tax free at the end by selling it, I am way ahead.

Mr. Davis: So you think the fair return on investment for landlords in this province is around four per cent?

Mr. Shron: Three to four per cent.

Mr. Ramsay: Exactly.

Mr. Davis: I did not ask you.

Mr. Shron: Plus the growth of equity in the building. Every time the building increases three per cent, you multiply that by six times to get to the increase in the value of the building. When you come down the road to sell it, most of it is tax-free money. Even when it is not tax-free, only 50 per cent of capital gains is taxable at your income taxable level. You still save half the tax on the money.

Mr. Davis: To help me again, what would be the average income of your building?

Mr. Shron: It is very difficult to tell. How many units are there in the building?

Mr. Langlois: It is difficult to say. From 250 units, they average anywhere between \$25,000 to \$35,000 a year.

Mr. Shron: How many subsidized rental units do we have? Half?

Mr. Langlois: No.

Mr. McGrigor: About 60 units out of 245 or 246 are subsidized.

Mr. Davis: Okay. That helps me.

Mr. McGrigor: Sometimes by as little as \$40 a month, though.

Mr. Davis: Okay. That helps me.

I want to clarify something again. I am trying to come to grips with the whole issue of what is fair return and what is fair for tenants. Would I be correct in assuming that you concur with Mr. Pouliot, who said that a fair percentage for a person to pay on income for rental accommodations would be roughly 25 to 30 per cent of his income?

Mr. Shron: One weeks' salary should pay your rent.

Mr. Davis: That is not the question I asked. He used the figures of 25 to 30 per cent. Would that be correct?

Mr. Shron: That is one weeks' salary.

Mr. Langlois: I would think so.

Mr. Davis: I do not think Mr. Pouliot is in a two-bedroom apartment, but he may be. Not counting the allowance he receives, he can afford to live in the building he lives in based on the 30 per cent figure.

Mr. Shron: If he did not have another home somewhere else.

Mr. Taylor: What has that got to do with this?

Mr. Davis: That is not what I said. I am saying he can afford to live there, based on the premise of 30 per cent. What you say is fair. That gives me some assistance to understand what I am looking at. On a salary base, you figure between 25 and 30 per cent is fair to pay for apartment rents. That helps me. I can get a handle on that. In the individual's case, because he owns a home up north and happens to be an MPP is irrelevant to the fact that a person living in your building and paying 30 per cent on a \$35,000 income could afford that particular rent based on 30 per cent. I am going to have to play with the figures to see whether 25 or 30 per cent is more fair.

Mr. Shron: For example, now that they are raising the two-bedroom units in our building to about \$950 a month, if you are earning \$75,000 a year today, you do not take home \$950 a week net income.

Mr. Davis: I am also going by what you said and what the banks say when you go to borrow money for a house. It is based on your net income.

Mr. Langlois: It should be noted whether the 25 to 30 per cent you are talking about is net or gross income.

Ms. E. J. Smith: He said 25 per cent net or 30 per cent gross.

Mr. Davis: That helps me. That is all. I was trying to get a handle on it.

Mr. Chairman: Can we move on? We are running way over time. Other members want to speak.

Before points of order or privilege jump in here, I should clarify that the accord that was struck a year or so ago was an agreement that rent increases would not exceed four per cent. It had nothing to do with Bill 51.

Mr. Davis: Was that a point of order?

Mr. Chairman: It was a point of clarification. I am nonpartisan.

Mr. Ramsay: I am glad you clarified that because it is a point that was bothering me. This committee has a problem trying to grapple with this whole issue. We lack focus because Bill 51 lacks focus. The agreement in the accord said four per cent. We are talking about one of the two issues this bill tries to bring together, that is, tenants' rights and supply of housing. This bill tries to bring both together. That is impossible.

We had to pick only so many points that we had to get into the accord. We felt tenants' rights were a more pressing issue, as was banning extra billing. There are lots of problems in the health care system, but that was the first problem to grapple with. That is why we said, "Let us get four per cent rent increases." We talked about co-operative housing and all sorts of other things we want to do.

With this bill, we are trying to talk about everything. I know it is hard, Ms. Smith, because we are talking about what is a fair rate of return for people, and yet we are trying to talk about keeping people in affordable housing.

It is difficult. That is why this bill is doomed and it probably will not go anywhere. We are going to have to go through this process. We are dealing with two different issues.

Ms. E. J. Smith: That is right. This bill addresses only a part of the housing market.

Mr. Ramsay: That is right.

Mr.-Chairman: You were addressing yourself to the delegation, I believe.

Mr. Ramsay: Absolutely. I sympathize with you and hope you agree with me.

Mr. Chairman: Does the delegation want to respond?

Mr. Shron: Yes. I do. We all do. We feel that one of the planks in the NDP-Liberal accord platform was the four per cent rent control. We have high hopes that, if necessary, the NDP will defeat the government on the basis of this bill if the government should attempt to pass it in its present form. We feel we have been sold out by the Liberal government to the landlords of Ontario on a bill which, in some people's estimates, will put \$275 million a year into the landlords' pockets, not including the increase in the value of their investments. We feel very strongly and, as a matter of fact, we are depending on the NDP to make absolutely sure this bill does not pass in its present form.

20:30

Mr. Davis: Ask them if they want to go to the polls.

Mr. Reville: I want to go to the polls today, Mr. Davis.

Mr. Cordiano: I will bet you do, Mr. Reville, I will bet you do.

Mr. Reville: I have got my signs all ready.

Mr. Cordiano: I want to get away from the editorializing and the rhetoric we have heard for the last 15 minutes. I want to go back to a point Mr. Church was making. He was saying Bill 51 is not discriminatory and that is not the intention of the bill to discriminate between the post-1975 buildings and the pre-1975 buildings.

Would it be fair, Mr. Church, to say, for the benefit of our deputants, that the board attempts to recognize at some point an economic rent for buildings that are relatively new, given the fact that for buildings that were built before 1975 that economic rent level--economic rent as a return to the landlord--would have been received by the landlord some time prior to 1975 for buildings that were older than five years prior to 1975? We are essentially talking about the fact that with new building, there is no way to achieve that with a very low ceiling.

Mr. Chairman: Yes, sir, exactly. Without being even vaguely argumentative--

Mr. Reville: But somewhat interpretative. Confess, confess.

Mr. Cordiano: What we are talking about is the principle of trying to achieve an economic rate of return that is taking into account what the building would have cost to build.

Mr. Reville: I am trying to be fair to you, Mr. Cordiano, but it is not easy.

Mr. Church: To answer your question specifically, the general assumption in the bill is that pre-1976 buildings should already be earning an effective rate of return or are chronically depressed, and therefore can be relieved, or are the result of some kind of anomaly in the market that the taxpayer and the tenant should not have to pay for. That is the reasoning behind the pre-1976 treatment.

The post-1975 treatment is the same with one significant difference, and that is those buildings losing money or not yet earning what has been characterized as a fair rate of return--without for a moment commenting on whether it is a fair rate of return or not--can move to that level. At that point, the system of controls on the buildings is identical. That is the philosophy so that all tenants would be protected by the same measures.

Mr. Cordiano: I would like to say to our witnesses that I do sympathize with the fact that some of the rents seem extraordinarily high compared to other buildings in the Metro Toronto area. I cannot comment on what relatively new buildings might rent for in North York. I would like to see those figures--if we have any documentation--comparing a building downtown, as you say, with something in other regions of Metro Toronto.

Mr. Church: We can provide the committee with a breakdown by region of the rents through the various rental surveys.

Mr. McGrigor: Are those post-1975 buildings.

Mr. Church: Those will all be post-1975 and pre-1975. There is a substantial difference between the post-1975 and the pre-1975, partly because of 10 years of rent review and partly because of the differences in the value of building at the time.

Mr. McGrigor: I understand that we are maybe the only post-1975 building that is going to be addressing your committee. The reason that our tenants' association was formed is because in the words of Network, "We are mad as hell and we do not want to take it any more."

I would like to say that Ms. Smith is a lot nicer to look at than Mr. Walker and I am glad she is here. I know there is a great problem. We all know that. We are between the devil and the deep blue sea. There is no place to live, and people have to make money.

Mr. Shron has shown us lay people something about the tax breaks and the way people make money on buildings. While it is the understanding of the committee that all citizens of Ontario are equal and all tenants are equal, it seems that this bill says that some of us are more equal than others, with all due respect to Mr. Orwell.

Mr. Davis asked us all a question, and I have been chomping at the bit for a while. You asked how much did we think the landlords should make. Mr. Shron seems to know that the way you can make money best is through the tax

situation as opposed to our pocketbooks off our backs as the tenants. If they have to make the money, I think the committee should possibly address a tax incentive plan as opposed to a charging the tenants in some apartment buildings what appears to be double that charged to others.

I want to say one other thing to the committee. In the Toronto Star of August 20, the Metro Toronto cost index of goods and services based on \$100 in 1981 came to \$132.90 in July 1986. In our building, a \$100 worth of rent in 1981 or any building at 10.1 per cent works out to \$161.7437, which means that the proposals of Bill 51 are 28.88437 per cent higher if they had been instituted in 1981 than the real cost of living.

Is that inflationary? Does it promote inflation? I know you do not answer rhetorical questions.

Mr. Chairman: Unless there are questions or points that are really searing the souls of members, I think we should call this to a halt because of the time.

Ms. E. J. Smith: May I ask Mr. Church one question? I am interested in this and maybe I should know this for the sake of the people in this delegation. Once Bill 51 is enacted, if they moved into this building and the economic factor was a factor and the apartments were being rented at a economic loss, would they be made aware of the fact that they were being undercharged so they did not get misled into moving in and then find suddenly they could not afford to be there?

Mr. Church: The principal benefit of the registry for post-1975 buildings is for situations such as these, where obviously as a great surprise you are facing substantial rent increases over a period of time. If I can use an example, if a building was built in 1988--and I appreciate there are those who are sceptical that there will be--and its economic rent is \$1,200 a month, and that is not a long way out of the realm of possibility, it is also quite possible that it would be put on the market at \$700 a month. The tenants who moved in there at \$700 a month would be deeply chagrined to discover over the next few years that they were moving up to \$1,200 a month unless they had been told that before they moved in.

Mr. McGrigor: We were not.

Mr. Church: Precisely.

Ms. E. J. Smith: That is what I am checking because you should have been.

Mr. Church: Your indignation is a measure of the lack of that information. Certainly, under the new registry that information will not only be there when you move in, but also it will be there before the landlord turns the first bit of sod. It should bring some level of sanity to this process.

Mr. Reville: All of which helps these guys not a bit.

Mr. Chairman: Mr. Shron, Mr. Langlois and Mr. Pouliot, thank you for your presentation this evening. You have added a great deal of energy to the evening. We appreciate it.

20:40

The next presentation is from Mark Wimbush. Is Mr. Wimbush here? My goodness, we could have stayed with the Charles Street West tenants for another half hour.

Mr. Reville: We are still 12 minutes late for the next one after that.

Mr. Chairman: Is Mr. Deitlein here?

Mr. Deitlein: Yes, I am here.

Mr. Chairman: Thank goodness, Mr. Deitlein. Perhaps you will have a seat and make yourself comfortable. Mr. Deitlein, welcome to the committee. I am glad you were here for the last hour to see how we function.

A. DEITLEIN

Mr. Deitlein: My name is Al Deitlein. I come from the beautiful town of Nestleton, which is the hub of the universe as far as I am concerned.

Mr. Chairman: Where is that? I am sorry I have to ask.

Mr. Deitlein: It is in Durham region. May I make a little comment on the previous presentation?

Mr. Chairman: I suppose.

Mr. Deitlein: Everybody else does, so why not? Was it Charles Street?

Interjection: Yes.

Mr. Deitlein: I do not think they need rent controls; they need investment advice. Somebody who pays \$1,000 a month in rent can move to Scarborough, buy a condominium and carry it under capital gains.

Mr. Davis: I will speak to that.

Mr. Deitlein: You will speak to that. Thank you. Okay, here comes my little song. George Orwell is alive and well and lives at Queen's Park.

Mr. Cordiano: We have heard that before.

Mr. Deitlein: You have heard it before; good.

Mr. Reville: Who is it? Is it him?

Mr. Deitlein: It is coming to that point. How can anybody consider rent control to have anything to do with resources development? Rent control destroys a resource. As the vacancy rate in southern Ontario is a fraction of a per cent and going down, who but Big Brother at Queen's Park could think of a declining resource as something that is developing? Obviously, in the eyes of the government, this is more and perhaps even two and two make five. That is a quote from you know who.

May I make a suggestion to you? Would you like to find out how perfect rent control works? Go for a trip to the in-every-aspect-perfect Union of Soviet Socialist Republics. There you can observe how perfect legislation

really works. There you can observe the black market in apartment trading. You will see the bribes and the key money that change hands and you will see the quality and the variety of the accommodation available. You will see also the long waiting lists.

The harder you push landlords, the more likely it is that you are going to create a perfect socialist environment and, of course, the happier the tenants are. When they find out what game they are really playing, they are not going to work for you any more. You can try to tell them that less is more--less vacancies, less building maintenance and less money in their pockets. I wonder how long they can be fooled.

Of course, out goes the cry, "The government will provide apartments for everyone." All parties, as usual, vote for the resolution. There will be votes from the socialist Conservatives, the socialist Liberals and the socialist Socialists. You will get an apartment for sure after your name has been on the waiting list long enough and the rent will be heavily subsidized. The rent will be \$300 and the subsidy will be \$700.

Mr. Chairman: Did you say "socialist Conservatives?"

Mr. Deitlein: Yes, the socialist Conservatives; otherwise pink socialists or pink Tories.

Mr. Davis: Red.

Mr. Deitlein: Let me come back to this. The rent will be \$300 and the subsidy will be \$700. Who is going to pay the subsidy? The landlords and the home owners will. They are not going to like it and they are not going to vote Conservative either. How are they going to vote?

Mr. Davis: I do not think they are going to vote for the New Democratic Party; so I do not know who the hell they are going to vote for.

Mr. Deitlein: Recently, the housing committee of the New Democratic Party made the headlines: "Landlords Are Gouging the Tenants." That is the same old story you heard tonight. I wonder whether this gentleman ever heard of the law of supply and demand. If the supply is down, prices go up. It has been that way for a long time. It even works to a limited degree in the ever-so-perfect socialist republic. Do you remember a few years back when Cabbage Patch were \$100 a piece at The Bay store?

Mr. Taylor: People were buying them too.

Mr. Deitlein: Of course they were buying them. A few months later Cabbage Patch dolls were all over the place and the prices went down. Nobody paid \$100 any more. That is the way supply and demand works, and the same thing can work for apartments if you want it to.

The paramount requirement is free competition. Monopolies, whether they are in private industry or state government in the form of rent controls, must be avoided at all costs. It does not really matter where the monopolies are, whether they are in Queen's Park or Cadillac Fairview; they must be avoided, and rent controls do not help in that respect.

Until recently we had a tenant whose government salary is approximately \$60,000. He gets controlled rent. Are you going to say that a person earning

that salary needs controlled rent? I can show you a fistful of rental application forms from welfare recipients, single mothers and from pensioners. There is no rent control for these poor people, and we have to tell them they cannot afford the rent. Rent control works only for the relatively affluent, who can afford to pay market prices. There is no rent control for the poor, but they do not know that. You probably know the statistics, whether they vote and whether there are enough votes from those people.

In short, rent controls cannot and will not work for those who can least afford the market prices. Why do you raise false hope? Try to be kind to the needy. Do not fool these poor people by promising things you cannot deliver, even if you put a rent control policeman in every apartment building.

Let me illuminate to you the two scenarios possible, which depend entirely on the action of the Ontario government. Whether you maintain rent control as it stands now or make it even more draconian is of no consequence at all. The inevitable results will be fewer and fewer affordable apartments, a growing black market and a deterioration of existing apartment stocks.

As a consequence of this, in a few years you will enact even more draconian measures to force landlords to maintain their buildings. The landlords will be forced to cut corners even more because they will have to live with ever-deteriorating currency and an ever-increasing tax load. Landlords will be unable to pay taxes, especially municipal taxes. We see that in New York in the United States. The taxes will be harder to collect, and then either you will be expropriating the buildings or the landlords will have to declare bankruptcies. At any rate, the Ontario government will be the happy owner of a lot of apartment buildings which are near to collapse and will form the hubs of ghettos for the poor and underprivileged.

Naturally, the reasonable way to go would be to try to eliminate rent control as soon as possible, which takes money. The load has to be spread evenly on the backs of all taxpayers, not only on the backs of the landlords. To do this, you would have to clean your own house first. The NDP's Mr. McClellan goes about shouting, "Landlords are gouging tenants." I wrote him a letter when he said that telling him that the government is gouging the taxpayers. I was prepared to show him \$500,000 worth of government mismanagement at that time. The figures have gone up much higher now.

20:50

Therefore, I suggest you be more prudent with the tax money that you take in. Do not give millions of dollars to managers who in normal lives would be unable to manage even a hot dog stand, and yet there they are wasting tax money on a grandiose scale and there is no control whatsoever on how they perform.

Once you have put your own house in order, you will find plenty of money to institute a rent support program for the underprivileged and the needy. No, you do not have to create another bureaucracy to administer the program. It can be instituted in relation to the Ontario tax income rebate.

Of course, you will not follow the last scenario because you are politicians and a good politician sees only the next election ahead or does not care about the poor or needy. I thank you for listening. You will go ahead with your draconian control measures and we will all have to suffer the consequences.

Please do not put barbed wire around us as they do in Big Brother land pretending it is to prevent the bad ones from getting in when it is to prevent the ones inside from getting out. Try to have just a little bit of morality in your hearts. No matter how beautiful a system you are going to build, it is not going to work if you do not put conscience and morality into it.

Mr. Chairman: Mr. Deitlein, thank you for your kind comments about all politicians. Are there any questions from any members of the committee.

Mr. Taylor: It is irrefutable.

Mr. Deitlein: Thank you.

Mr. Davis: Sir, did I understand you to say--and I think we concur even though some may be pink Tories--that this particular bill will not create housing opportunities for those in need? What you are suggesting to this committee is that there has to be some new direction which will provide some type of subsidy for those people so they can have affordable rents.

Mr. Deitlein: Of course, you have to be kind to these people. The man that we had is getting \$60,000 a year as a government salary. Does he need a controlled apartment rent? He can afford market prices, and yet you are shearing everybody with the same comb. You are trying to make an equal society. They have that on the other side of the border. That is where everybody is equal. They are not equal either. Do not believe that bunk.

Mr. Chairman: Thank you for your presentation.

Before we adjourn, is Mr. Wimbush here yet? I guess he is not showing up.

Mr. Ramsay: I am a little disappointed that the Progressive Conservative Housing critic is not here to ask a question of some of the deputants we have had here.

Mr. Taylor: I am sure he is fully disillusioned with your party.

Mr. Chairman: Thank you for that interjection.

I should remind the committee that we meet tomorrow afternoon at one o'clock in the medical sciences building and not in this room. Everyone has had a notice and we will post it outside the door in case anyone happens to stumble down this way by mistake.

Mr. Cordiano: This may be my own ignorance, but do we have a list of the deputants coming before us tomorrow. That way I can bring the necessary documentation.

Mr. Chairman: Yes, we have. At one o'clock we have the Ontario Home Builders' Association, exhibit 85; at 1:30 p.m., the Society of Rent Review Consultants; at two o'clock, Stanley Smither, exhibits 9 and 63; at 2:30 p.m., the housing department, region of Peel; at 3:30, Park Property Management, exhibit 59; at four o'clock--and this is the reason we have moved to the medical sciences building--Alderman Kay Gardner and Richard Fink from the city of Toronto; and at 4:30, Toronto Sun columnist Mary Wood. If you want a copy of that, you can get it from Tod.

We are adjourned until one o'clock tomorrow afternoon in the medical sciences building.

The committee adjourned at 8:55 p.m.

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

RESIDENTIAL RENT REGULATION ACT

THURSDAY, SEPTEMBER 4, 1986

Evening Sitting

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)

Bernier, L. (Kenora PC)

Cordiano, J. (Downsview L)

Epp, H. A. (Waterloo North L)

Knight, D. S. (Halton-Burlington L)

Pierce, F. J. (Rainy River PC)

Reville, D. (Riverdale NDP)

Smith, E. J. (London South L)

Stevenson, K. R. (Durham-York PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Substitutions:

Ferraro, R. E. (Wellington South L) for Mr. Cordiano

Gordon, J. K. (Sudbury PC) for Mr. Bernier

Miller, G. I. (Haldimand-Norfolk L) for Mr. Epp

Reycraft, D. R. (Middlesex L) for Mr. Knight

Clerk: Decker, T.

Staff:

Richmond, J. M., Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Housing:

Church, G., Assistant Deputy Minister, Corporate Resources and
Building Industry Development

Stratford, L. A., Senior Solicitor, Rent Review Division

Individual Presentations:

Wilcox, J.

Neale, S.

From the Bayview Village Place Tenants' Association:

Genraich, M., Vice-Chairman

Brown, I. A., Executive Member

From the Metropolitan Toronto Association for the Mentally Retarded:

Speakman, M., Manager, Properties and Insurance

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Thursday, September 4, 1986

The committee resumed at 7:18 p.m. in room 228.

RESIDENTIAL RENT REGULATION ACT
(continued)

Consideration of Bill 51, An Act to provide for the Regulation of Rents charged for Residential Units in Residential Complexes.

Mr. Chairman: We will not be meeting next week, and the following week we shall be in transit to exotic parts of the province. For the information of the members, the airline tickets to get you there will be here tomorrow afternoon. If by chance you are not here or there are any complications, we can make sure the ticket gets to your home or your constituency office, whichever you like. Tomorrow morning we meet here at 10:30. The last presentation is at 4:30 p.m., so we should be out of here around 5 p.m. tomorrow. We do not sit tomorrow night.

The first presentation this evening is from Judith Wilcox, who is here and ready to roll. Make yourself comfortable. We welcome you to the committee and ask you to proceed with your presentation.

JUDITH WILCOX

Ms. Wilcox: The purpose of my address to this committee is to state my personal recommendations on Bill 51, specifically in the areas that relate to the establishment of a rent registry and the element of maintenance in determining the rent.

Bill 51 addresses a very serious need of tenants. This is the establishment of a rent registry, which would provide a means of verifying whether the rent being paid is legal. The concept is a very good one and particularly one of necessity. However, it lacks the basic fundamentals of justice and affirmative action when illegal rents are discovered.

The bill allows for amnesty for landlords who file within a specified time period to refund illegal rents back to August 1, 1985. Second, it excludes rooming and boarding houses and provides special filing provisions for buildings with fewer than seven units. Third, the onus is on the tenant to make application for any rebate of rent, and such an application would have to be made within a specified time period. This does not provide the basis of a rent registry that will serve the needs of the tenant.

A tenant is defined as one who pays rent to another for the use of a house, land, etc. This definition also fits those who occupy units in rooming and boarding houses.

If the bill were to be passed on the basis of current provisions, there would be no real benefit or improvement over the current ineffectual process. I have experienced the current process from beginning to end in an attempt to recover moneys paid in illegal rents. The current process puts the onus or

burden of proof on to the tenant to prove an illegal rent is being charged. There are two ways of determining and proving if you are paying an illegal rent. The first is to contact the previous tenant. That is convenient if you are aware of his name and new place of residence. You would hope he has kept some proof of the payment of his rent, for instance, a lease, a cancelled cheque or the like. This sort of information is difficult to ascertain unless you commence a full-scale investigation into the previous tenant's whereabouts. In addition, most tenants do not want to get involved when you confront them with your request.

The second recourse is contacting the Residential Tenancy Commission with the hope that the building had gone to rent review. If it had gone to rent review, there would be an established legal rent on file. If through this time-consuming and exasperating ordeal you discover an illegal rent, as the tenant, you must comply with completing a residential tenancy application form, outlining the fact you are paying an illegal rent, together with the proof.

The Residential Tenancy Commission then reviews the matter and makes a finding. If an illegal rent is being charged, the landlord is obviously required to return what does not belong to him; then the selection process begins. This process is up to the tenant. There is no current provision as to how this money is to be returned. When the landlord is approached for the return of this money, this generally creates a bad landlord-tenant relationship. The landlord generally retaliates to this act by the withholding of essential services, namely, necessary repairs within the suite.

The current practice, like the proposal in Bill 51, requires the tenant to ensure he is being charged illegal rent and to prove it. The landlord is the one who establishes the rent, legal or illegal. Therefore, should he not be the one to substantiate his position?

What we are talking about here is the enforcement factor of the law. The rent registry will serve for no purpose other than as a burden to landlords, who must file all rents with the registry, and to the tenants would merely represent an information agent. I do not believe the intent or the purpose of the registry is to act as a record retention area.

The role of the rent registry can be compared to the enforcement factor of other laws. For instance, the enforcement of the traffic laws is generally by an officer. The obligation of the officer is to monitor and ensure that the law is not broken and inform you of any violation thereof. However, it is generally taken one step further, and a penalty is imposed for any violation, because you have broken the law. Likewise, it is the same situation with the rent registry. There are laws that dictate what is legal. There must be a place to monitor the compliance with this law, maintain the integrity of it and identify and punish those who break this law.

For landlords who have broken the law in the past, the bill is prepared to provide a pardon for this. It is difficult to comprehend why August 1, 1985, was the magic date chosen from which landlords will be liable to refund all illegal rents. Further, why is an incentive being offered for compliance to the law in this particular situation? It is their duty to obey the law. What is particularly disturbing about this incentive is that, once again, it is at the cost of the tenant. It is a rather ludicrous act to deny tenants something that was illegally taken from them and to allow the perpetrator, in this case the landlord, to keep it merely as a result of the time restriction. This time restriction has no logical or legal reason; it merely represents the taking of money from tenants and not returning it.

In essence, what the bill is proposing is tantamount to legalized theft. The effective date that illegal rent refunds should be named to would be the date the illegal rent commenced. The statute of limitations has provisions where an extension to the six years can be made. Landlords should not be exempt from this law; they hold no special status.

My recommendations to the foregoing as it relates to rent registry are:

1. Full registry requirements for all buildings, including rooming houses, lodging houses, etc.
2. All units, regardless of size, be filed with the rent registry.
3. Landlords file full history of rents from 1985 to date and update on an annual basis thereafter, together with an affidavit verifying service and the truthfulness of the rents indicated.
4. The onus of providing proof of legal rents is the responsibility of the landlord.
5. The ministry to review all rents initially and on an annual basis thereafter to ensure they are legal.
6. The ministry to have full power to review at any time the landlord's records, files, documents, etc.
7. When an illegal rent is discovered, the ministry should set the legal rent and notify both the landlord and the tenant of the legal rent. It should advise the tenant on the procedure to apply for a rebate of the illegally charged rent to date and commence action against the landlord for the violation of the law.
8. Remove the August 1, 1985, amnesty of illegally paid rents and require landlords to make full rebate going back to the date of commencement of the illegal rent.
9. Remove time limitations on the length of time a tenant has to file for a rebate of rent, eliminate the distinction between "nonsubstantial" and "substantial" illegal rents and handle all violations equally.
10. Finally, impose monetary penalties and/or prosecution for violations of the act.

The bill also allows for the establishment of a Residential Rental Standards Board. The purpose of this board will be to develop and implement maintenance standards for buildings and to ensure they are met and maintained. It is refreshing to note that, finally, there is an acknowledgement and an awareness of the direct relationship between rent paid and the maintenance received--in other words, value for dollar.

The current legislation allows only for consideration for deterioration or improvement in the maintenance standard. My personal experience and the experience, I know, of many other tenants is that this provision has proved to be useless. A Residential Tenancy Commission order for a 78 per cent rent increase was ordered for a rental unit I occupied for two years. This order was made in spite of a two-year outstanding work order list issued by the city. On this list were six deficiencies within the rental unit itself. In

addition, evidence of pictures was submitted on the state of disrepair in the rental unit together with a judge's order describing the rental unit as "deplorable."

In the Residential Tenancy Commission order, no reference was made to the evidence submitted. The reasons given for the rent increase were based strictly on the operating expenses of the building. Obviously, based on this and many other experiences, one can easily recognize the ineptness of the current law and make valid recommendations for change.

19:30

To meet the purpose and objective of establishing this board, the major component of change in this area must be enforcement. The bill proposes that enforcement be the responsibility of the municipality. In the event of a violation, the municipality would notify the minister or the board. The minister or the board then has the option to disallow the landlord's application or to allow it if the noncompliance is a result of matters beyond the control of the landlord or if for any other reason the application or appeal ought to proceed.

Shifting the responsibility for enforcement to the municipality will only result in further delays to the already existing delay of the waiting period for an inspector. It was only after the pressure of an alderman that I was successful in getting an inspector from the municipality to inspect my suite, which, as I stated previously, resulted in the issuance of a work order that listed six deficiencies. It took the organizing of several tenants to place phone calls repeatedly to the property standards department for an inspector to come to the premise and inspect the building for maintenance deficiencies in the common areas of the building.

Once a work order is issued against the property or rental unit, it does not stop there. It does not correct itself. It becomes twice as difficult, actually, to enforce it and get things done. It was my experience that the landlord was very upset that I went to the property standards department after repeated requests to him; so he took a position of retaliation in not complying with the city's work order. The work order was completed three years after the date of issuance. The reality of the matter is that it is just not a viable alternative for the municipalities to assume additional responsibilities to enforce an act, unless extra funding is made available for additional inspectors.

It is a basic fundamental right of tenants to live in buildings that are properly maintained. This is not a privilege. A tenant should not have to incur legal costs to enforce this right. Over the years, I have incurred hundreds and hundreds of dollars in legal costs to enforce my rights or, in other words, to force my landlord to comply with the contract we entered into. It is clearly the responsibility of the landlord to maintain the premise in a condition that is fit for habitation and, in addition, is in a state of repair. As I stated, over the years, I have incurred much expense to enforce this right.

My recommendations are:

1. Allocate adequate funding for the inspectors.

2. When an order for a repair is made and not complied with, the municipality should do the work and bill the landlord.

3. Establish specific minimum standards as they relate to maintenance requirements in a building.

4. The board must be established and operable at the time Bill 51 is passed.

5. No rent increase can be imposed by the landlord where there is an outstanding notice of noncompliance and no exceptions made to this rule.

In conclusion, Bill 51 should serve as a welcome change to the long-outstanding deficiencies in the current law if, among other things, strong, stern enforcement measures are introduced together with the law. The importance of affordable and decent housing cannot be overstated, nor can its destiny be left to the hands of chance.

Mr. Chairman: Are there any questions by members of the committee? All right. Thank you for your presentation. It was very direct and clear.

Is Steve Neale here this evening? Copies of Mr. Neale's presentation are now being distributed.

STEPHEN NEALE

Mr. Neale: Thank you, Mr. Chairman. Good evening, ladies and gentlemen. I would like to address the section of Bill 51 regarding maintenance. At present, rent review does not take poor maintenance into consideration when setting rents.

In cases where maintenance and the general condition of the building are deplorable or when there are outstanding work orders against the building, the landlord has still received a high increase in rent. I know of some tenants who have been waiting literally years to have work orders looked at. During the waiting period, those same tenants were subject to a rent increase.

Bill 51 proposes to set up a maintenance board to be called the Residential Rental Standards Board. It is proposed that this board establish maintenance standards for all rental units in Ontario. This is definitely a step in the right direction. It would then be the responsibility of the municipalities to carry out those inspections based on the standards set out by the provincial government.

I would recommend that the provincial government ensure adequate funding to carry out inspections and to ensure enough qualified personnel to complete the inspections and effectively enforce the provincial and municipal minimum standards. I would also recommend that the province should step in to carry out inspections where and when the municipalities refuse or decline to do the inspections themselves.

The board should also make available to all tenants an outline or handbook to ensure that not only landlords but also tenants know what the minimum standards of the board actually are. This book should be written in layman's terms so that misinterpretation can be kept to a minimum. The tenant would then know whether he or she is at liberty to take complaints to the board for some decisive action to resolve the problem.

I would also recommend that the board be aware of the quality of workmanship and materials used in the completion of work orders. There is nothing more infuriating than to pay higher rents for a major expense incurred

by the landlord, only to need further repair or replacement one or two years later because of shortcuts or inferior work on the part of the contractor or company contracted to do the work.

When the Ministry of Housing receives notice of a landlord who is in noncompliance of a work order and the landlord has applied for a rent increase higher than the current guidelines, the present proposal is that the landlord will not be granted any increase in rent other than what is allowed in the guidelines. It is my recommendation that regardless of the reason for noncompliance, the landlord should lose the right of any increase in rent, including what is allowed in the guidelines.

After all, the problem was serious enough to warrant a work order in the first place. Those work orders were placed on a building because the maintenance had not been done. I further recommend that should a subsequent work order of a different nature be issued on the building before the landlord's application is reviewed, it too should be completed before proceeding with the application. Work orders are usually handed out because the landlord has refused to maintain the building or surrounding property to the standards set forth.

The tenants realize that part of their rent goes towards the upkeep and maintenance of their building and surrounding property. When they see a problem, whether it be isolated or recurring, they advise those responsible for maintenance. When a problem has not been acted upon or rectified within a reasonable amount of time and the landlord has just given the tenants a notice of his or her intention to raise the rent above the guidelines, they become angry, which is understandable.

Landlords have done Band-Aid solutions and common areas are cleaned up quickly before the rent review hearing. The ongoing problems in suites, or those of an electrical or mechanical nature, are ignored by the landlords. All too often, landlords have received approval of the application and have let the maintenance in the buildings slide to a disgusting level once again. The tenants are no further ahead but they are subjected to another rent increase none the less.

The proposal of a Residential Rental Standards Board is good news, and I, for one, would like to see steps taken to implement this board immediately upon the passing of the bill. I have had experience in commercial property maintenance and I know the importance of a preventive maintenance program. I am not convinced that some landlords have such a program in effect. Instead, they choose to ignore problem signs until they have no choice but to spend excessive amounts of money to replace machinery, equipment or fixtures. When this type of expense occurs, it is passed on to the tenant by way of a rent increase and again the reaction by the tenant is one of anger. Because of the landlord's mismanagement, the tenant must pay.

19:40

The problems I have mentioned must be solved. It boils down to the fact that tenants are paying for something they are not getting; that is, effective maintenance to their apartments, common areas and surrounding property. All are willing to pay their fair share for maintenance, providing there is a just system in effect to ensure they are getting their money's worth.

Tenants need these standards to ensure that the portion of their rent to be used for maintenance is used for exactly that. Rental units, whether they

be in a basement of a house or in a high-rise, are tenants' homes, and the property and common areas should be considered to be part of those homes, homes they can be proud of. Because they have paid, they should expect conditions supporting that pride.

I have a summary of recommendations attached here.

1. The provincial government should ensure adequate funding to carry out inspections regarding standards set forth by the board. Along with adequate funding, I also include funding to cover enough inspectors. A common complaint in the past has been, "We do not have enough inspectors to deal with all the problems." That is not the tenant's problem. The tenant's problem is he is living in a place that is in a disgusting condition. I recommend that the province ensure enough funding to the municipalities, or wherever it decides to put the money, to ensure these inspectors cover the areas that are required.

2. The provincial government should ensure that qualified personnel are carrying out the inspections. It would be disappointing to see all kinds of inspectors, when doing the work that we have asked for, not know what to do other than to check off a box here and put in a little comment there. If it is plumbing, get somebody who is experienced in plumbing. If it is electrical, get an electrical engineer or technician to look at the problem. We cannot have people who merely fill out forms inspect these places.

3. There must be a minimum standard required by the province and the municipality. I imagine the province and the municipality will have to agree on a set minimum standard. That is not saying this standard is going to be adhered to religiously; it is just the low point to which conditions should be acceptable.

4. I recommend that the province step in to carry out inspections which the municipality does not carry out. The tenant must have a further course of action, if needed, after the municipal level. Again, I refer to the excuse we have heard before, "We do not have enough inspectors to see to you until six weeks' time, but we will put your name down and we will get to you."

Providing the tenant has a serious enough problem, I think he should have the right to go past the municipal level to the province and say: "I do not have a problem in six weeks; I have it now. Would you send someone out to have a look at my problem?"

5. I recommend that the Residential Rental Standards Board make available to tenants a handbook written in layman's terms so that tenants will know what standards are in effect. The Employment Standards Act is in a brochure form for people working in the retail industry so that they can refer to it to see whether they have been mistreated or have had a wrong done to them somehow. It would be a good idea if, when this bill is passed and the rental standards board is in effect, the points contained in those standards were put down in as simple terms as possible so that the people without extensive education or experience in legal matters could read this book and doublecheck what standards are being broken.

6. I recommend that the board be aware during inspections of the quality of workmanship and materials used in completing a work order. I can give you the example of the swimming pool in my building. Granted, I am lucky to have a swimming pool, but on the other hand I am not lucky to have a swimming pool, because I am paying for it in the first place. It is in my rent. The pool was in disgusting condition at the beginning of spring this year, with cracks and bits of concrete falling apart.

They did repair the border tiles around the pool, and they did a lovely paint job on the pool, except they forgot to clean it first. They actually painted over the grime and the algae that were there from the year before. It is that kind of thing the tenant has to pay for. Next spring, that paint is going to be peeling off and the landlord will paint again. That is totally ridiculous. Why should the tenants sit back and pay for that? Then there are the people who do not use the pool.

We have 85-year-old people in our building. They sit back and say, "That is the rent; this is how much I owe now." They sign. They cannot do that any more. They cannot go on paying for mismanagement. That is exactly what some landlords are putting over on tenants.

7. All subsequent work orders that are issued before the landlord's application is reviewed must be completed before proceeding with that application, regardless of the reasons for noncompliance.

In other words, if there is an outstanding work order against the building or the landlord and he has an application in for a rent increase, and an investigation is done that finds he has an outstanding work order, which he is working on, I believe everything should be frozen right there until that work order is completed. If another work order should be issued during that time, the application should still be frozen until the subsequent work order has been completed.

These work orders do not just happen. They happen because the landlord has failed to maintain the property in good condition. Fixing one problem does not erase all the other problems. I believe that if there are work orders, regardless of the age of those work orders--even if they were issued yesterday--the application should be frozen until there are no outstanding work orders.

Thank you.

Mr. Chairman: Thank you, Mr. Neale.

Mr. Ramsay: I would like to ask a question of Mr. Church. I hesitate to do it and hope he does not mind. In any of the government amendments, do you contemplate satisfying Mr. Neale's recommendation 7 that he just gave us about work orders being completed before raising the rent?

Mr. Church: Yes, sir. In fact, in the proposals the RRAC members are looking at right now, the majority of the recommendations that have been put forward here are being considered. We fully anticipate they will find their way into amendments.

Mr. Ramsay: Are you saying that a subsequent agreement on subsequent issues that RRAC comes up with will find its way into legislation?

Mr. Church: Yes. To be quite clear on this, when sections 14 and 15 were put into the bill, the minister did indicate this was virtually a holding clause and that RRAC had not yet completed an agreement. It was a ministry provision. RRAC is now very close to agreeing on a set of procedures.

I feel a little leery about anticipating what the RRAC members are going to agree to, but they are certainly very aware of the kinds of concerns that have to be addressed. The Faulty Towers provisions of a couple of nights ago were perhaps the clearest signal they have had. That is definitely what they are working towards.

Mr. Stevenson: My question probably would have been more appropriately addressed to the previous deputant. I have a little problem getting clear in my own mind how one determines what is a fair demand on a landlord as far as maintenance is concerned, particularly when one starts talking about what is a right and what is a privilege.

I will use my own home as an example. It is 130-odd years old, a farm home that was wired for the first time in 1948. Basically, the services in that house have not been changed since. By today's standards, the service is not what it should be. We have to be careful, when we plug in things such as tea kettles, electric frying pans and so on, that we do not have too many of them going at the same time.

19:50

Mr. Ramsay: You had better get an inspector out to that house.

Mr. Stevenson: For various financial reasons, we have always found other places to put our money than the \$2,500 or \$3,000 it is going to take to put the service into the house that it really should have in today's situation. Some time or other over the next five years that will be fixed, but right now we get along quite well, thank you.

There are tenants in Toronto who would love to live in our house; there are other tenants who would not put up with it for two weeks. If my home should suddenly become available for rent, for whatever reason, and a particular tenant went in there and demanded that it be changed, and if I, for whatever reason--I will use the financial reason, the same reason I used in my own situation--do not want to change it right now, how does one decide whether that is a fair request and whether the tenant has the right to have that changed, how it should be changed, when it should be changed, how well it should be changed and so on?

Mr. Neale: As far as the demand part of your statement is concerned, most tenants are quite easy to get along with at first because they say nicely, "I have a plug that is not working" or "This thing is not working." Over the course of the next few weeks their attitude changes if they do not get the service they think they should have. Again, it would depend on the severity of the problem. As far as money goes, I realize landlords are working to budgets, or I hope they are working to budgets.

To give you an example, the building I live in had 13 floors of new carpet installed. According to the people I spoke to, the carpets that were down in the first place were not torn to a major extent; they were not soiled for the most part. Some floors had a different colour of carpet but it was the same quality of carpet. All of a sudden, this new carpet is installed.

An ongoing problem for years has been our intercom system. This system enables a person to buzz an apartment and the tenant to press the button to open the door. The actual communication part of the intercom is nonexistent. It finally came to a head when a lady was assaulted at knifepoint on our elevator. From what I understand, this is the first time since the building was put up that something so serious has happened.

Again, apartments have been broken into and cars have been broken into. When a tenant looks at how the landlord spends money on maintenance, he really has to step back and look at the whole picture. When you get incidents like these, involving the security system of the building, it is ridiculous. As I

say, the majority of the people in our building are senior citizens who could no more protect themselves than a little child could; they are almost helpless. When you hear of things like this going on, you see a brand-new carpet on the floor and a week later somebody manages to get access into the building and threatens a tenant, you question the priorities.

It is not just the intercom system; it is also the locks, the underground garage door, lighting and painting of the underground areas. For security reasons, you paint it white so that there are no shadows. People sit back and say, "That carpet must have cost a fortune to do 13 floors." It is not bad carpet. I do not like the design personally, but the quality of the carpet is okay; it is quite good. Again, if you think of how much money was spent on that carpet and how much money it would cost to fix the intercom system or install a new intercom, that is when the tenants start asking: "Hey, why did you spend that money on the carpet? The intercom system has not been working for a long time." That is what angers the tenants most. Again, it is the priority of the tenants; their concern with their security.

The landlord may have a totally different direction for his reasons to put down carpet. I do not know whether he plans on selling the building or, as I referred to in my brief, to pretty up the place in case any inspections should take place. For whatever reason, he felt the carpeting was one of the priorities in the building. That is just my personal experience. I am sure that type of thing goes on quite often.

Mr. Stevenson: Having an apartment here in the city myself, I understand differences in demands of various people, and I understand how priorities differ and how they most certainly differ between tenants and landlords. I still have a little bit of difficulty in straightening out in my own mind what you can actually say is a right of a tenant, how far that goes and how people are to put certain limits on that sort of thing and what sort of standards one might expect to have.

Mr. Neale: That is why this Residential Rental Standards Board is so important to tenants: so they can ask, "Am I out of line in asking for this?" If they have something to refer to, they can say, "Definitely, we are within our full rights to complain here, because this particular standard is not being provided to us." It is a very good step, an excellent proposal--one of the best in Bill 51--that the tenants have some municipal or even provincial representation on what they are to put up with and what they are not to put up with.

Right now, if we want to fight for what we think should or should not happen, we have to take the guys to court. With the number of senior citizens in our building, we cannot do that because it means money to do that, and it is difficult to go through. It is also very stressful to put people of that age through that type of aggravation or tension. Some will not even talk to you about it; they do not want to get involved because they do not want to be evicted.

We have a nice building. It is not a luxury building, nor is it a low-grade one; but the potential in the building is enormous. The landlord is just letting it slip year after year, and it is a shame. These old people do not want to move. They have a nice park behind the place, and it is great. I think they feel intimidated by the landlord when they see a notice of a 17 per cent increase, and yet their walls are starting to blister from moisture within the walls.

If a lady wallpapers the wall and the whole wall bubbles out--it is not the paper; it is the actual plaster on the wall--and the next day she sees that the landlord is going for a 17 per cent increase, what is she going to do? She does not want to complain too loudly for fear of reprisals. Even if it is her imagination, she is still under stress. She is still under that tension.

These people cannot take it; so we must have some course other than the heavy legal scene that I, for one, have just gone through two years of. It should not have to go that far. It should stop at a basic request and a follow-up with reference to a handbook or some sort of guideline that the tenant could look at.

20:00

Mr. Ferraro: Mr. Neale, I am a substitute on this committee, but you and Ms. Wilcox have twiggd my curiosity about the situation with the work orders. I am not from Toronto, and I used to be on city council in a smaller community. I am just wondering whether you have had some personal experience with the municipality. I assume you are from Toronto.

Mr. Neale: Yes.

Mr. Ferraro: What kind of reaction did you get when you said, "There is a work order, and they have not done anything"? What do they think?

Mr. Neale: Personally, I have not been involved in a work order.

Mr. Ferraro: What have you heard in that regard?

Mr. Neale: What I have heard is that work orders that have been issued have not been seen to by the landlord for periods of more than a year, almost two years; then, finally, he gets around to doing it.

Why do people go through the system of complaining to the point where a work order has to be issued by the borough or municipality? It is forgotten about. They just give him a carbon copy and say he has until this date to do it or else, and they walk away. It takes for ever to get them to come back to inspect and see whether the work has been done by the due date or to the inspector's satisfaction. It takes a long time to get them out in the first place, from what I have heard.

This is why I said in my brief the provincial government should be able to step in if we do not get action fast enough from the municipality.

Mr. Ferraro: It is unfortunate the municipality would not listen to the people who pay their wages and the taxes it charges, from which it gets direct benefit.

Mr. Neale: That is right.

Mr. Ferraro: Essentially, municipalities and school boards are the benefactors of the taxes they charge. The first onus of responsibility is on the municipality. That is obviously a serious problem.

Mr. Chairman: If there are no other questions, Mr. Neale, thank you for your presentation.

Mr. Genraich is here from the Bayview Village Place Tenants' Association. We have copies of your brief. It is exhibit 79, for those who are interested.

BAYVIEW VILLAGE PLACE TENANTS' ASSOCIATION

Mr. Genraich: We have copies here if anyone wishes one. One copy was given in. There are a few more here if members wish a copy.

Mr. Chairman: Could you start by telling us how many tenants you represent to some degree?

Mr. Grenaich: I am the vice-chairman of the Bayview Village Place Tenants' Association. This association has a membership of 340 tenants living in three 20-storey tower buildings located at the corner of Hawksbury Drive and Sheppard Avenue East, across from the Bayview Village plaza, in North York. Sitting beside me is Ian Brown, another member of the executive of this association.

The Minister of Housing (Mr. Curling) has stated that forming a committee consisting of representatives of both landlords and tenants was an original and clever idea, and I agree with him. The result of their deliberations, however, shows that the landlord representatives were able to persuade the committee members that landlords need more assistance if more rental housing is to be built in the future. Because of that, the government and, I am afraid, even the media-influenced tenant representatives favour our deprived landlords. There is no doubt that these landlord representatives were more knowledgeable and more forceful in the discussions and conclusions of the Rent Review Advisory Committee.

I received a great deal of material from the Federation of Metro Tenants' Associations in regard to the decisions of the Rent Review Advisory Committee, which I read diligently, but neither I nor my association was approached for comments concerning the new proposed rent regulation bill. Perhaps that is where it went wrong. There was not enough consultation with tenants' associations or groups and no input by them.

In the brief I am about to present, I will no doubt be criticizing many areas of the proposed bill that have already been criticized in briefs you have received to date. However, I feel it puts more emphasis on the faults contained in the proposed regulations for you to hear that we tenants recognize what is wrong with them and the changes we would like to see made in them for our own protection. Our brief is short in comparison to some you have heard in the past two days. I have not memorized it and I beg your indulgence while I read it.

After studying Bill 51, An Act to provide for the Regulation of Rents charged for Rental Units in Residential Complexes, the only conclusion we have reached is that for the most part it hopes to provide an incentive for developers and speculators to build more rental housing. They have been given the key to Pandora's box and out has floated the following gifts: (1) a higher operating cost allowance; (2) financial costs passed through; (3) capital costs passed through; (4) extraordinary operating costs allowed; (5) economic loss allowance; (6) financial loss allowance; (7) hardship relief allowance; and (8) chronically depressed rents relief.

For their part, the tenants will receive only: (1) better and mandatory maintenance; (2) "costs no longer borne" in regard to capital expenditures,

which will be reduced by 80 per cent if similar capital expenditures are purchased and shown in an application for further increases in rent.

Mr. Ferraro: Could I ask a question?

Mr. Chairman: I would rather you waited until he has finished.

Mr. Ferraro: Fine.

Mr. Genraich: In regard to Bill 51, we have the following objections and proposals:

1. Maintenance.

(1) Where maintenance orders are not complied with by the landlord, no rent increase, even guideline increase, should be allowed until all maintenance ordered is completed.

(2) Where emergency work is necessary and landlords do not or cannot carry them out immediately, the municipality should have the right to carry them out and charge the landlord.

(3) There should be a procedure whereby a tenant or tenants can notify the Residential Rental Standards Board of poor maintenance--less than the standards--in the buildings they occupy.

2. Rent registry.

(1) The proposed rules say that where the landlord has filed within the time permitted, no amount shall be ordered under subsection 92(2) in respect of excess rent paid before August 1, 1985. We object to this dating and feel that excess rent should be a liability of the landlord going back at least six years.

(2) Landlords should have to prove rents legal by filing rents back to 1975.

(3) All violations should be treated as substantial violations. The term "nonsubstantial" should be discarded.

(4) Tenants should be advised of any ministry audit as well as the landlord's registered rents.

3. Rent regulations.

(1) Cost no longer borne on capital expenditures, subsection 75(2), should be reduced by 100 per cent, not 80 per cent, including interest and increases, where the landlord has applied for an increase in rent because of a similar capital expenditure.

(2) Tenants should have an input into capital expenditures, especially nonessential ones.

(3) Consideration should be given to reasonableness of costs claimed and allow only market costs.

(4) Tenants should be allowed to challenge extraordinary costs of any kind.

(5) Financial loss, if allowed, should be passed through over a longer period, at least eight to 10 years, and if caused by an increase in financing costs, the amount of increase passed through should be two per cent in all years. In this regard, consideration should be given to the fact that poor management can be the cause of a financial loss. A business that has a loss for this reason is not recompensed for it. The tenants should not have to pay for the landlord's poor management.

(6) Any phase-in regarding regarding the equalization of rents should be held to two per cent per year, thus easing the financial difficulty for many tenants.

(7) Disclosure of all beneficial owners should be required in regard to financing claims.

(8) There should be no management allowance on capital expenditure and no interest allowed in capital losses.

(9) Major improvements and renovations should be amortized over a 25-year period.

20:10

4. Capital expenditures.

(1) There should be penalties for neglect of property forcing capital expenditures, especially if it is done deliberately. Tenants should be allowed to register complaints in this regard.

(2) All capital expenditure increases should be phased in over a 10-year period, and they should be necessary and reasonable.

In conclusion, we feel tenants deserve more consideration in the making of decisions that will affect the rents they will have to pay in the future.

The other fact that has not been mentioned is the affordability gap. If this act is passed as is, it will create a very untenable situation for a great many seniors who are living on limited resources and, as a result, will be out looking for public housing. This will make a desperate situation even more desperate. This act needs a great deal of revision immediately.

I am not in agreement with either the Federation of Metro Tenants' Associations or Mary Wood, whose strident voice appears in the Toronto Sun. One wants to kill Bill 51, and the other wants to abolish rent control. In my opinion, they are both very wrong. To me, Bill 51 is the start and, with proper revision to protect tenants from large increases, could stop the escalation of war between tenants and landlords. However, let us do it right this time and have proper consultation with tenant associations, not tenant representatives.

Not all of us are against landlords making a normal profit on their investments if (1) it is done with proper management and (2) it is not at the expense of the tenants through additional increases in rent, which Bill 51 in its present form would allow and which would cause financial difficulties for the majority of tenants.

Let reasonable tenants and reasonable landlords agree to revise Bill 51 so that while it helps landlords, it protects tenants at the same time. Let us

learn to respect each other once more. If we do, there is nothing we cannot accomplish working together.

Mr. Chairman: Thank you very much, Mr. Genraich. There is a question from Mr. Reville.

Mr. Reville: Thank you very much for a very crisp and direct brief. You have suggested that the consultative process that occurred prior to this bill being introduced for the second time was inadequate because the committee did not consult with associations.

Mr. Genraich: That is right.

Mr. Reville: Now that you have come and presented your views, do you have any sense that this qualifies as the consultation you desire, or do you think we should start again?

Mr. Genraich: As I said in the prologue to my brief, I think the idea of getting landlord and tenant representatives was a good idea to start, but it was not true representation of the tenants. If they want true representation from the tenants, they have to consult with more associations of tenants. There are many groups in the city--hundreds, maybe thousands; I am not quite sure. They do not all belong to the Federation of Metro Tenants' Associations. They have to be reached and consulted if we are going to get anywhere with this sort of bill. I still feel that Bill 51 is the place to start.

Mr. Reville: May I ask a couple of detailed questions about your buildings? Are they newish? Have they been constructed since 1975?

Mr. Genraich: Prior to 1975.

Mr. Reville: You have been under rent control already?

Mr. Genraich: Yes. I have lived there 14 years.

Mr. Reville: So they would have been covered?

Mr. Genraich: Yes.

Mr. Reville: Has your landlord gone to rent review?

Mr. Genraich: There has been a procession of landlords. The buildings were built by Cadillac and then owned by Standard Life. Standard Life has sold these buildings, and the owner now is Westdale Construction Co. Ltd. Mr. Kimmel is the actual owner of Westdale. We have been to rent review. Standard Life never went to rent review, but this outfit has gone to rent review. We had a hearing. They were awarded 9.06 per cent; they had asked for 10 per cent. We have appealed that decision. We are going to the appeal this coming Tuesday.

Mr. Reville: Can you give us any notion of the rent structure? What are one-bedroom and two-bedroom units worth?

Mr. Genraich: The rents are so varied it is difficult to pin them down. I came in at an early stage and started off with \$235 for a two-bedroom; I am now paying \$531.

Mr. Reville: That would have been in 1972?

Mr. Genraich: That is right.

Mr. Reville: Tell me again. You started at \$235?

Mr. Genraich: Yes, and I am now at \$531, starting this year.

Mr. Reville: Your rent has more than doubled in that time.

Mr. Genraich: That is right.

Mr. Reville: You were very clear about your concerns; yet you did not comment at all on the guideline increase.

Mr. Genraich: No, I did not. If it amounted to 5.2, I would not object to it. If that is the actual increase given to the landlords, I am not against that. That is why I have not brought it into my brief.

Mr. Reville: Fair enough. Thank you.

Mr. Gordon: I note with interest that you say, "If this act is passed as is, it will create a very untenable situation for a great many seniors who are living on limited resources and, as a result, will be out looking for public housing." Are you familiar at all with the concept of shelter allowance?

Mr. Genraich: Yes, I have read about it. I will not say I am familiar, but I have read about it in the papers.

Mr. Gordon: Do you have any views on it to give this committee?

Mr. Genraich: I do not agree with shelter allowance. To me, it is a means test in a way. In other words, are you in that sort of category where you need this kind of help? I do not agree with that concept. I do not think it is a way to resolve the difficulties we are having right now.

Mr. Ramsay: To try to get a little more background on your perception of what happened with the Rent Review Advisory Committee, you felt the tenant representatives did not really represent the views of tenants. Is that right? I do not want to put words in your mouth.

Mr. Genraich: I belong to a fairly large association, but no one ever came to us--even the federation never came to us--and said: "This is what is being proposed. What do you think of the recommendations? Have you any ideas or comments or any input into this?" We were never asked. There must be hundreds of associations that feel the same way. We have opinions in regard to what is happening about rent control. Why should we not be asked and why should we not have some input into the ideas being put forward?

The people who are picked for the committees are trying in their own way, I suppose, to do the best they can, but I do not feel they are truly representative when we in this association, for instance, were never asked about it. If you want to get true representation from all the tenants, you will have to go out. What you should probably do is advertise for all tenants' associations to be registered and then send questionnaires to them to be answered, to get a truer opinion so that you can go into revision of the bill.

Mr. Ramsay: This is something I and a few others members of the committee are probably having trouble with. We were given this document and told: "Do not tamper with it. Really, this is it. This is the agreement between the two groups and it is almost a miracle we have been able to do this. Please do not touch it."

We have public hearings because that is part of the democratic process and because you cannot necessary trust that nine and nine add up to a cross-section of public feeling and thought. We have this now, but we are getting a lot of different people--

Mr. Genraich: Perhaps I should explain, Mr. Ramsay, that there were members, so I am told, of the Federation of Metro Tenants' Associations on that committee. Their own association is saying now that these are not true representations as far as it is concerned. They have come out against the bill; in fact, they have said, "Kill the bill." If the members who were there represented the federation, why the turnabout? Were they representatives or were they not? It seems they were not.

Mr. Ramsay: It appears that way to me too. This feedback from all the different tenant groups and also from landlords who are not happy with it may now be giving the members of this committee the mandate to tamper with it in a sense and to do what we usually do with legislation. Let us sit down and when we go through it clause by clause, let us put the amendments to it that we think ought to be done. I do not think there is a viable agreement any more.

Mr. Genraich: That is our opinion as well.

20:20

Mr. Stevenson: To carry on from what Mr. Ramsay has said, we are very much aware that people put a lot of time into this bill and that a compromise of sorts was reached amongst those people. As we on the committee look at the possibilities of changing the bill, we have to be very much aware of trying to strike a compromise. You have presented this bill in a very direct, reasonable and articulate manner. I will ask a question about one of your recommendations, that major improvements and renovations should be amortized over a 25-year period. If you had money to invest in a building, would you feel that was a reasonable request? Would you be happy to have your money, as a major capital expense, amortized over 25 years?

Mr. Genraich: It would depend on my feelings regarding my property. Am I in there just to make money as a speculator or am I in there to stay with the properties and retain them? I find that today a lot of the builders and developers are in there only to make a buck. That is the way they put it to me. They are not interested in long-term holdings at all.

My own landlord said to me, "If I do not get the raise I have asked for, I will sell these buildings." That seems to be the attitude of many landlords: "Either I get what I want or I will get out. Somebody else can take over." He said to us, "If I sell out, you will have to pay all those financing costs all over again." That is the threat. In other words, "Do I get it or do you want to start again?" If that is their attitude, then my attitude remains the same.

Mr. Stevenson: I accept that this is true in some cases. I have difficulty knowing how many, but I am sure what you are saying is correct in a number of cases. The other side of the coin is that if there is as much money there as some think there is, why are more buildings not being built?

Mr. Genraich: There are a many more factors than we are talking about today. Perhaps they should have said that interest rates were the cause of housing not being built. That is a a major cause and it has never been talked about. All the financing is done on the basis of interest. If you do not get proper interest, you will not want to go into the building of rental apartments.

Mr. Stevenson: You would look at the current economic climate in North America and predict that with the factors now present in Ontario we might start looking for more private sector involvement.

Mr. Genraich: I believe so. Interest rates are falling quite rapidly and that should be a great help to the building of rental housing. I agree. We are at a stalemate and the stubbornness of landlords and perhaps even tenants' associations or federations is not helping the cause at all. I think there is a middle ground. If both sides are reasonable, we can do something and can work together. It is a shame that it has been attacked so much. I realize the bill is not perfect, but as I said before, it can be revised and amended so that it will be helpful to both sides. If it is being attacked constantly, how do we ever get together?

Mr. G. I. Miller: You indicated that when you first started to rent it was \$235 and now it is \$531 for a two-bedroom unit. Has the maintenance of the buildings kept pace with those increases?

Mr. Genraich: During the time that Cadillac and Standard Life had these buildings, the maintenance was maintained up until the last year when Standard Life realized it was going to sell those buildings. Then the maintenance dropped down. Since the new landlord came in, we have had a constant battle over maintenance. I guess it will go on for as long as he is our landlord. It seems that if we do not fight, we do not get it. I do not say the maintenance is poor, but it could be a lot better. Our property manager is a very difficult man to deal with. As a result, maintenance has dropped off, and there is a lot of unhappiness amongst the tenants.

Mr. G. I. Miller: You have a good association that works closely with the management. Is that the way you do it?

Mr. Genraich: Yes, we have meetings. We have had about four meetings with management to the present time. Other than the fact that our landlord keeps telling us the same story, that he is only there to make a buck, he keeps saying the same things. He is going after his increases ever year and he is going to get them. I suppose we will have to fight on from year to year. It becomes quite costly to us, you understand.

Mr. G. I. Miller: My other comment is on your statement that you do not think there is enough input from the tenants. In a committee meeting such as is being held here, the members are listening and the minister is listening and that input is coming at us now. I have not been a long-term member of the committee, but I am impressed. There seems to be a lot of feeling we are on the right track and that this is the beginning to good relations between tenants and landlords. The comments you have made tonight will certainly be noted.

Mr. Genraich: I feel the committee is serving a good purpose. I hope it keeps up the good work.

Mr. Chairman: Your landlord does not actually tell you he is just out to make a buck, does he?

Mr. Genraich: Absolutely, right to our faces. I am sorry, but he does.

Mr. Ferraro: I have a question for Mr. Genraich, but first I have a question for Mr. Church.

Mr. Ramsay: Is this Mr. Church's question?

Mr. Ferraro: No. Mr. Church's question is part and parcel of what I am going to ask Mr. Genraich. This is my question. There are a number of allowances for costs in the bill. I understand operating cost allowance; I understand economic loss allowance, which I believe is essentially rent equalization, and I understand financial loss allowance. I am not sure I understand what hardship relief is. Is that not a form of economic loss?

Mr. Church: Yes. Hardship relief provided under the Residential Tenancies Act is being continued under this act. It is not different.

Mr. Ferraro: Essentially, it is rent equalization, is it not?

Mr. Church: No. Basically, there it is a provision that, due to some factor, the landlord is not making a profit. He may be breaking even, but he is not making a profit. It has always been provided that under exceptional circumstances--and I think it is in three per cent of all applications for it--the Residential Tenancy Commission can give up the two per cent in increased rents once to provide for that.

Mr. Ferraro: If he is not making a profit, obviously it is because rents are too low or the income is too high. Why do you distinguish? If it is essentially an operating cost allowance or rent equalization, I am clear on it. Why do you distinguish hardship?

Mr. Church: Basically, the proviso is there because it was recognized that the way rent review was brought in, some buildings were caught at a point where they were not profitable. For example, a building built in 1974 would not be breaking even by 1975 when it was put under rent review. It would probably very quickly get to the point of breaking even with cost pass-through, in 1976 or 1977, but under the old law it was not legal to go higher than that. The Legislature in its wisdom 10 years ago deemed that a two per cent surcharge on rents to provide for some measure of return was legitimate.

Mr. Ferraro: Mr. Genraich, the estimate provided to me by Mr. Church is that 40 per cent of the rents charged now are essentially illegal. With the passage of the bill, there would be an obvious rebate to the tenants. The assumption is made by the ministry that, as a result of the rent registry, the guidelines and the rectification of this illegal rent, the actual percentage increase to the tenant could be substantially less than what you got in 1985. What is your reaction to that statement?

Mr. Genraich: I do not agree with those percentages as far as illegal rents are concerned. I think it is a lot higher than that.

Mr. Church: You are right. It is at least 40 per cent.

20:30

Mr. Genraich: It is at least 40 per cent, but I think it is a lot higher than even 50 per cent, frankly. Also, the way they have discussed legal

rents, as they call them, is too wide. There are many loopholes for landlords to prove rents legal and in a way cover up illegal rents by doing so. I am not going to go into ways I feel this is being done, but if necessary I think I could prove that.

When you say that when the rent registry is brought into being it will bring back money to the tenants, I think you will find in a lot of cases it will not bring back money, because the landlord is taking advantage of the many loopholes left to register illegal rents. It is an impossible task you are giving yourselves to verify legal rents, quite frankly.

Mr. Ferraro: I do not think it is perfect legislation.

Mr. Genraich: I even find it very difficult.

Mr. Ferraro: The fact remains that some people, we hope a lot, will get the rebates.

Mr. Genraich: I am not going to fight you on that. Perhaps some people will receive rebates because of it. The other thing is the majority will not, and unless you can find a better method of proving legal rents, it is not going to happen. I think if you go through your act, you will find out for yourself.

Mr. Pierce: With respect to the illegal rents on page 2 of your submission and the rent registry, you object to the date of August 1985. You feel the liability of the landlord should go back at least six years. You stated your situation, where the landlord has changed twice in the past couple of years from the original owner, who built the building.

Mr. Genraich: That is right.

Mr. Pierce: There was a lady here the other night who was a landlord who has bought a building that has changed hands probably six times in the past six years. She said that if that happens, if it goes back six years, it will bankrupt her right out of business, because she would be obligated to pay back the illegal rents that have been charged by the six previous landlords. How do you see that from your perspective as a tenant representative?

Mr. Genraich: It is a difficult thing for a small landlord. I agree with what she is saying. I can understand her situation, of course. She is not to blame, I suppose, for taking over a building that has changed hands six times. That is where the difficulty comes in with regard to legal and illegal rents. This is where the committee would have to make a decision on the carry-back date. I said six years. As I said before, we are reasonable people. Perhaps it does not have to be six years, but I do not think going back to August 1985 is sufficient. That is my opinion.

Mr. Pierce: We have had some groups come in and say: "That is too bad. If the person made a bad investment, it is his problem. Let him go bankrupt."

Mr. Genraich: I do not agree with that. I am sorry.

Mr. Pierce: We get many stories, and they are recorded in the green-covered book called Hansard.

Mr. Genraich: How unreasonable can we be, after all?

Mr. Pierce: You have to remember that we see presentations that say they do not want consultation; they want to be able to face off with the landlords. We get all kinds of different presentations. I commend you on your presentation, because at least you are indicating there is a willingness to co-operate and consult with your landlords and make things work for both parties.

I have one other question. You said you have had four meetings in the past number of months. Do you at any time discuss with your landlord income against expenses?

Mr. Genraich: No. We did not get into financial discussions. The main trend of our conversation is maintenance. All the complaints come from the tenants in our association; so we concentrate on maintenance to the greatest degree. Frankly, he is the one who brings it up all the time; we do not even bring it up. He compounds it to us. We do not mind his saying these things to us, but it goes against the grain when he keeps doing it time and time again.

Mr. Stevenson: I can imagine.

Mr. Ramsay: Why do you not punch him out one of these days?

Mr. Genraich: That is not the way.

Mr. Pierce: That is the response from some of the groups we get: they want to punch somebody out, but that is not good consultation.

Mr. Genraich: He is quite honest. He says: "I am a speculator. I here to make money." I guess I have to respect the fact that he is telling us the truth. That is what he is there for.

Mr. Pierce: Fortunately, not all landlords are in the same kind of situation.

Mr. Genraich: He is being honest. He is saying exactly how he feels. I guess that is the way it is, is it not?

Mr. Pierce: We recognize on the committee that some tenants are hurting, as well as some landlords.

Mr. Genraich: At that same time, we have told him: "We will fight you all the way down the line. If you want to ask for increases, that is fine; go ahead. If they award it, you are lucky and we will fight you again at an appeal." This is going on constantly.

Mr. Pierce: That is what we call facing off, I guess.

Mr. Genraich: Absolutely.

Mr. Ferraro: You make as one of the recommendations for rent regulation that major improvements and renovations should be amortized over a 25-year period.

Mr. Genraich: Yes, I know. That was just brought up before too.

Mr. Ferraro: I realize that. Would it not then almost make sense to have a recommendation that any financing costs should be amortized for at least 25 years?

Mr. Genraich: I suppose in a way you are getting back to the fact that he has to finance his renovations, and his renovations are his improvements. I suppose in a way you are right. In asking for one, I suppose I am asking for another at the same time; I have to be in that case, yes.

Mr. Chairman: Mr. Genraich, thank you and, Mr. Brown, for your moral support. We appreciate your presentation.

The final presentation for the evening is from the Metropolitan Toronto Association for the Mentally Retarded; Mark Speakman.

METROPOLITAN TORONTO ASSOCIATION FOR THE MENTALLY RETARDED

Mr. Speakman: I did not prepare a brief because, in fact, what I have to say is fairly simple and relatively short.

The association I work for owns and leases approximately 43 group homes for the mentally retarded. The average group home has about six people in it. What I would like to do is present to you a little bit of a context and then a suggestion on what we would like.

The context I would like to present begins in the 1970s with the program of deinstitutionalizing the retarded and moving them into the community. At the time this began in the 1970s, there was not a majority push, if you like; there was not a great number of people we were worried about. The rise to house these people in the community really started to culminate in the late 1970s and in the early 1980s.

Against the background of this mandate by the province to house the retarded in the community in small settings, in detached houses, a number of factors came to bear in our ability to house them in a reasonable way, reasonable in the sense of how much rent we had to pay. I am not talking about the majority of landlords; I am talking only about a minority. The majority of our landlords are very good, and we feel the rents are very reasonable. It is a very few number of houses I am talking about.

Against the mandate of housing the retarded, as we moved into the communities in 1978, we began to feel a certain amount of community resistance that eventually led to a certain amount of municipal resistance. It was not equal across Metro; the city of Toronto was often very fair to us and to other groups such as ourselves, but it was felt in some other municipalities. The resistance within the community and at the municipal level had an impact in that it made the search for affordable leased housing property difficult.

During this period, we and other associations began to look at legal ways of making our entry into the community a little bit easier and with less resistance. That is when the fight began at the Ontario Municipal Board level to have, as a right, group homes in all municipalities. It culminated this year, in 1986, with the OMB decision that all sections of Metro should allow us to operate and to house in all areas of Metro. That happened in 1986.

20:40

Another aspect, which happened in 1985, only last year, had an impact on us too; that was the ability of an association like ours and similar associations to purchase property for the first time under a debt retirement line with the supporting ministry, which is the Ministry of Community and Social Services. That happened for the first time in 1985. Until 1985 we could only lease property.

The homes our clients are housed in are not special. They are frame houses; in some cases they are brick houses. The other thing that is important about them is that they do not require major renovations in most instances. It is a house you could move into. You could paint it, wallpaper it, add some furniture to it and move into it quite easily. Consequently, it is not a justification for an excessive market rent that excessive renovations were required.

Against the mandate of moving into the community; against the resistance that was felt up until 1985-86 in the community, which meant it was hard to find housing; against the fact that we could only lease, that we did not have the option to purchase until 1985, there were a few occasions--and I am not talking about many; of the 19 homes we lease currently, we feel only three have excessive market rents--when there were some people with whom we actually signed leases that we felt were excessive at the time, but because of the mandate and the pressure to move the people out of the institution, they were signed.

What we are suggesting is that what we would call the market-excessive rent of 1981 should not have its impact felt through escalations in 1986 to 1991, because the social and legal climate, which changed in 1985 and 1986, should permit a relaxation of the escalation of the rents in the very few homes where we are in a situation of excessive rents.

I want to give only one example. As I say, we feel only three out of the 19 are market-excessive. This particular house is in Scarborough. It is located on Wexford Boulevard. It is a frame home. It was valued in 1981 at \$120,000. We had an appraisal done this year; it is \$147,000. The rent we started to pay in 1981 was \$2,000 a month--that is when it was valued at \$120,000--which works out to \$24,000 a year in rent.

We felt we had to move into this particular area of Metro at this particular time because the mandate also said you had to move into all areas of Metro. You could not just choose Toronto or certain sections of Toronto to move into; it included all the areas, and that was part and parcel of the mandate. Because of that, we did try to move into certain areas. Because the social and legal climate was different then from what it is today, we paid more than the market bore.

All we are suggesting is that we are currently excluded, because we are a residential care facility, from the protective measures of Bill 51 and the previous legislation. All we are suggesting is that, because there are no special renovations and because the social and economic climate and the legal climate were different in 1981, when we initially got into and had to get into some of these leases, perhaps it is time to look at our kind of facility and say of the increases that are being experienced now--and in some cases it is an annual increase built on the excessive market rent--"Whoa; hold back a bit," and take a second look at the total amount.

In the case in Wexford the lease calls for annual increases in and above the \$2,000 a month, or \$24,000 a year, and it is currently approaching \$30,000 a year. It is going to go up every year until 1991 if it is not restricted in some way. That is on a house that is currently valued at \$147,000. That is all I have to say.

Mr. Chairman: Thank you for an interesting presentation.

Mr. Reville: I apologize for missing most of your presentation, but you have corresponded with me and I am familiar with your problem. I have

discussed this with the ministry and I wonder whether some ministry official cares to comment. It is a very specific issue and I wonder whether it is contemplated to provide the relief the association is seeking.

Mr. Church: This is a very specific issue and, as Mr. Reville says, we have been looking at it. We think we have found a way that we can accommodate the consideration. Ms. Stratford, Mr. Peters was just whispering to me; I did not quite pick it up, but he said you had it. I trust you do.

Ms. Stratford: There may be some legal problems but I think we can work towards a solution.

Mr. Church: My understanding is that we have the authority under the act to deem certain properties to be covered in certain circumstances and it looks as though this is one of those instances when we can do it.

Ms. Stratford: Yes. The minister has the authority to make findings on whether the act applies to certain premises. We can make guidelines and so on, so we may well be able to find a way there.

Mr. Reville: There is another issue I want to throw out. I do not want to modify the fuzzification here, but is it not the case that you pass through the cost of your accommodation to your granting body?

Mr. Speakman: Absolutely.

Mr. Reville: In the end the Ministry of Community and Social Services is paying it?

Mr. Speakman: That is right. Eighty per cent comes directly from the Ministry of Community and Social Services and the rest of the rent comes through part of the family benefits allowance. The clients themselves keep about \$77 every month, I think, out of \$679. The remaining balance goes to an association such as ours for all costs, not just rental costs.

Usually what we do with the rent is that we get an operating line directly from MCSS which covers the rent for that property for that year. You are right: it does come directly from MCCS, but from my way of thinking that does not necessarily make it right.

Mr. Reville: Absolutely. The point I was trying to make is that another ministry could save itself some dollars here by making these properties subject to this act and still remunerate the owner of the property.

Mr. Speakman: That is right. We are not at all inclined to take away a reasonable profit.

Mr. Chairman: Mr. Speakman, thank you very much for your presentation this evening. We appreciate it. That concludes a long day.

Mr. Stevenson: I would like to make a brief comment here. We are continuing to have ministry staff do an absolutely superlative job of answering policy questions, but it does give me some degree of difficulty to have these questions being answered by ministry staff when the minister should be doing it. Although the minister is a very decent person, it is very clear that he does not understand the bill and probably would not answer the questions even if he were here.

It has been clear over the past several days that the Liberal members on the committee have defended the bill in every instance, with the minister, when he is present, saying nothing. When a question is referred to him, he immediately refers it to staff. I do not know how the committee wishes to deal with it. I have never been involved in committee hearings in which the minister has had so little to say, even though he has been present, or has had so little involvement in responding to or defending a bill. The committee can choose to continue to tolerate this if it wishes, but I think it is somewhat unfair to staff, although I agree they are doing an exceptional job. I suspect that if we request changes, the quality of responses will diminish significantly. However, I still maintain it is not correct and it is very unusual.

20:50

Mr. Chairman: If it is any consolation, I share your concern, Mr. Stevenson. When the minister is here and refers a question to his staff, that is a different matter. He is then here to vet the response and to protect the public service. When the minister is not here, then the public service is providing policy and sometimes political responses, and that bothers me as well. I do not think it is a healthy technique for the committee to approve. I share your concern in this regard.

All I can ask is that the people here who talk regularly to the minister pass on our concerns to him that it is best when he is here. Personally, I do not have any problem with his referring a question to staff--that is different, because he is here to monitor it--but it does bother me when some questions come up.

Committee members are for ever directly asking questions of the assistant deputy minister, for example, so it is not his fault that he is answering questions. As you say, he is doing a good job of answering them, but it is committee members who are doing that. If it is only a matter of clarification of the bill, that is no problem. There is a long tradition of that.

I share your concerns.

Mr. Stevenson: My concern will magnify considerably when we get to clause-by-clause debate. With the complexity of this bill, when changes are made, be they government amendments or amendments put forward by one of the other two parties, I hope we will have the minister defending the government amendments and agreeing to or opposing the amendments the rest of us may put forward.

With his almost total lack of comment on the bill thus far--if anybody doubts what I am saying, all he has to do is look in Hansard--I question the quality of the input that is going to be forthcoming when we do clause-by-clause, in light of what we have seen to this point.

Mr. Chairman: Mr. Reville, on the same point of order.

Mr. Reville: I think it extends it. I do not want to repeat what Mr. Stevenson has said, although I agree with much of what he has said.

We have now had 70 deputations, by actual count, over a large number of hours and we still do not have the 101 government amendments. I am becoming very concerned that, as a committee, we are beginning to be in danger of

kidding the troops. When they come before us to speak to this bill, we know very clearly that this is not it and that there are changes, although we do not know how significant they might be, that might affect what they have to say to us. I do not think it is fair to us, to the public or to the people who put a lot of effort into their submissions. We have spoken about this matter daily since we started this process, and I want to reiterate that I think it is incumbent upon the government to provide us with their amendments in a timely fashion, so that at least we all can talk about the same routine.

Mr. Chairman: There are a couple of points. Mr. Miller?

Mr. G. I. Miller: I think it has been overplayed, because the minister has been here today, was here yesterday, and I assume he has been here as often as he can be, considering the responsibility he is carrying. There is no point in having hearings and listening and then making amendments before the evidence is in. I think the people who are representing the minister will be relaying that message to him and making recommendations. I cannot see anything wrong with the hearings. I think this is open and aboveboard. You have two weeks to go around Ontario and listen, and you cannot make amendments until you get the evidence in. Then you can formalize them. I can see nothing wrong with it.

Mr. Chairman: Before we get into too long a debate, let me reiterate what I said a week or so ago, which is that in my view it is inappropriate to be dealing with a bill that will be substantially changed by a large number of amendments. When that bill is amended, it will neither be the bill that was passed on second reading nor the bill to which the deputations are making representation. That does bother me, and I think it should bother members of the committee. As well, I understand from the assistant deputy minister--correct me if I am wrong, Mr. Church--that a summary of the amendments has been prepared and sent to the committee but it simply is not in our hands yet. Am I correct in that summary of the amendments?

Mr. Church: That is correct. It is a list of what the amendments will be and a summary of what they will do.

Mr. Reville: May I add one brief comment? I think in the spirit of fairness, it should be noted that the minister did have a death in the family. We all are compassionate people and we understand his absence for that reason.

Mr. Stevenson: I would like to make it clear that my comments did not relate to the hearings whatsoever. They relate only to the minister's input into those hearings. I think tonight was an excellent example of the reasons for having these hearings. We had some excellent input tonight, very well thought out and very clearly presented. As we travel around the province, I have no doubt we will continue to get that quality of input. Mr. Miller's comments were not at all on the same subject as mine.

Mr. Chairman: Okay, may we lay it to rest for the moment? We assume the minister will learn of the concerns that have been expressed by the committee members this evening. Thank you.

The committee adjourned at 8:58 p.m.

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

RESIDENTIAL RENT REGULATION ACT

FRIDAY, SEPTEMBER 5, 1986

Morning Sitting

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)

Bernier, L. (Kenora PC)

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Knight, D. S. (Halton-Burlington L)

Pierce, F. J. (Rainy River PC)

Reville, D. (Riverdale NDP)

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Substitutions:

Callahan, R. V. (Brampton L) for Ms. E. J. Smith

Davis, W. C. (Scarborough Centre PC) for Mr. Bernier

Hennessy, M. (Fort William PC) for Mr. Stevenson

Offer, S. (Mississauga North L) for Mr. Epp

Clerk: Decker, T.

Staff:

Richmond, J. M., Research Officer, Legislative Research Service

Witnesses:

Individual Presentation:

Adamowich, M.

From the Fair Rental Policy Organization of Ontario:

Attenborough, S.

Showers, G.

White, R.

Scanlon, W.

Individual Presentation:

Cebry, M.

From the Ministry of Housing:

Peters, F. H., Executive Director, Rent Review Division

LEGISLATIVE ASSEMBLY OF ONTARIO
STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Friday, September 5, 1986

The committee met at 10:40 a.m. in room 228.

RESIDENTIAL RENT REGULATION ACT
(continued)

Consideration of Bill 51, An Act to provide for the Regulation of Rents charged for Rental Units in Residential Complexes.

Mr. Chairman: The committee will come to order. We have a very full day's schedule running right through until five o'clock, so we had best get at it.

There are some decisions to be made, and we will try during the day to have a chat with the two critics and someone from the government caucus about lining up a number of special presentations. Such people as Ms. Hogan and Mr. Grenier want to come before the committee again, and Leslie Robinson, who is a member of the Rent Review Advisory Committee, wants to make a presentation to the committee. There is the problem of a ministry briefing on all the amendments to the package, and there is a summary for the committee by Jerry Richmond about what has gone on and what the recommendations are. That should all happen after we travel. At this point I cannot see it happening before that. There are some decisions that have to be made and I think the committee will be satisfied if a representative from each caucus does it. I do not think it is fair to get into a discussion with deputants waiting.

The first presentation is from Mr. Adamowich. Welcome to the committee. A copy of the brief is being distributed at the moment. I notice that the second paragraph of your brief says you are apprehensive because you do not represent--

Mr. Adamowich: That is why I am pouring water. My mouth is kind of dry now.

Mr. Chairman: We want you to make yourself comfortable and at ease. This is not a formal group. We are pleased to have individuals come before the committee.

MORRIS ADAMOWICH

Mr. Adamowich: My name is Morris Adamowich. I live in Etobicoke. I have rental property in the city of Toronto and the city of York. I feel somewhat apprehensive in appearing before this assembly as I represent only myself and not any group. I ask your patience so that I may read this to you as I am not accustomed to appearing before such a gathering. I would like to express myself with detail and yet be as brief as possible.

While I speak for myself and my own situation, I am sure there are thousands who fall into the same category; however, they are unable or unwilling to appear or in many cases, as I have found out, they just ask, "What is the use?" We fall into a group of landlords who are small property owners. These are people who rent a single house, an apartment over a store, a

duplex, a fourplex or a sixplex, yet are classified as landlords, and rightly so. They are small property landlords, but the same laws govern the owner of a single rental unit as govern the owner of a 20-, 50-, 100- or 300-suite building, a corporate landlord.

The same law also applies to the tenant, whether he lives in a house, a fourplex or a large apartment building. The same law benefits the tenant because he is categorized as part of a large group; however, the single-unit landlord loses his rights. Although there is a large number of small property landlords, they are unorganized and are unable to represent themselves. They are one-unit entities.

When you read of a landlord or hear news on the radio or on television about a landlord, what picture comes to your mind? Is it an immediate thought of a large apartment building or is it of a house, an apartment in a duplex or an apartment over a store? The chances are that most people immediately think of a high-rise apartment building with I refer to as a corporate landlord. Very few think of a small property landlord, of an individual such as myself, of the husband and wife who own a duplex or the widow who maintains an apartment over a store.

The tenants' problems are listened to by the media, the legislative bodies and the organizations. Who listens to one individual landlord with a duplex or a small rental property? The large corporate landlord can cover his problems with one tenant by having another 99 or 199 good ones. The small landlord loses considerably if he gets one bad tenant. It takes a long time before he can recover from a mistake he made in choosing a tenant. The corporate landlord does not have to be directly involved. The small landlord is always directly involved. There is no buffer and the legal system he has to rely on is very cumbersome. The tenant does not lose any dispute that has to be handled by the court; the property owner loses.

The corporate landlord can afford legal fees. He has the machinery in place to write letters to his tenants and to his solicitor and in all likelihood he can follow the procedure set out by the Landlord and Tenant Act to the exact letter of the law. The small landlord has to follow the same procedure. He has to hire a lawyer since he is not familiar with all the regulations. In most cases, the cost of the lawyer is such that he cannot recover a profit on the unit that is being rented for the next year or so.

In many cases the small-property-owner landlord rents the property to supplement to an income or to provide living accommodation for himself, and in some instances it is to build up equity in a registered retirement savings plan.

The provision of rental accommodation in a single home, duplex or single apartment used to be a good investment, but now when you are a small-property-owner landlord you are a second-rate citizen. You do not have any rights as a landlord except to keep the premises up and pay the bills. You cannot tell the tenant to keep the property clean and not to do any damage or redecorating to the interior. Although you outline this in the lease, the tenant can do whatever he wants to do, knowing full well that the owner cannot do anything. As long as he pays the rent, he can do what he pleases; the court will not evict him. The tenant does not have to be legally represented in court; the small landlord has to be legally represented. It is always a cost to the small property landlord with the loss of revenue, the cost of repairs,

the cost of legal representation, the cost of personal time and the heavy cost of personal aggravation.

It is not the amount of the rent increase that I, as a small property landlord, object to--the four per cent or six per cent--provided that my rent is at current market value to start with. It is the control that the Landlord and Tenant Act has over my investment and how I have to operate the rental building. I cannot rent a premise for a specific length of time; for example, one year. If I rent for only one year, even when the tenant agrees, I cannot get the tenant out. I would have to go to court and if I were fortunate, I would get the tenant out four months later.

I have a case where this year I have not raised the rent on a small one-bedroom house that I rent. The tenant is a single lady. She is quiet and undemanding, keeps the place well inside and out and pays her rent. However, I feel I must raise the rent to what the law allows, for should she move out and should the rent registry be implemented by the government, I would have to make up for a two-year increase and I would not be able to do so.

No law is required for a landlord to appreciate a good tenant and no law is required for a tenant to appreciate a good landlord.

In October 1984, I purchased a property that had two offices on the ground floor, two two-bedroom apartments on the second floor and two two-bedroom apartments on the third floor. This was an estate sale. The owner passed away in 1980. The rents had not been raised since before that time. Two of these apartments were rented at \$195 and \$215 per month. They are still at that figure two years later. The neighbourhood rate for an apartment of this size, 900 square feet, and of this quality, would be in the area of \$650 to \$700 per month. I am losing more than \$1,600 per month subsidizing the building. I am subsidizing a sales manager of a building products firm by renting him an apartment at \$195 a month. I am subsidizing a 35-year-old accounting man by renting him an apartment at \$215 per month. I have not paid the balance of the 1985 taxes and I have paid no instalments on the 1986 taxes. The heating season will soon be starting and costs will go up again.

10:50

According to Bill 51, if I apply to the rent review commission the most I can hope to increase the rents on any apartment in this building will be four per cent plus an additional approximate seven per cent. This would allow me an 11 per cent increase on \$195 or \$21.45 per month, which is \$257 a year, bringing the rate to \$216.45 for a two-bedroom apartment for a tenant who, as a sales manager of a building products firm with offices across Canada, is making in my guess approximately \$40,000 a year. Is this fair and just?

In addition, I would like to make this assembly aware of the interpretation of the Landlord and Tenant Act by some judges. When I purchased the building I intended to have one apartment for my son and one apartment for my in-laws who were selling their eight-room house in northcentral Toronto and who would therefore live closer to us. My son was 24 years old when I made the application and my in-laws were 77 years old. After many technical delays we appeared before a judge, stated our case and had the judge rule that my in-laws had not received a bona fide offer on their house so they did not need accommodation and that my son was living at home and we had a three-bedroom house so he did not have to move out.

Two months later we sold the house. By the way, furniture from this

house is stored in the basement of this building, in the garage and is distributed among three households. We had to get a cousin to move out of a house so that the in-laws would have a place to live. Two years from the date of purchase of the building, we were finally able to get a court decision in favour of one apartment for my son. Hopefully, the tenant will be moving on September 30.

From the first day to this day, my position has not changed. I purchased this building with the intended use of two apartments for myself, yet the administrators of the act interpret it in the manner they feel like. Let me add that the reason it took the additional time was not because there was no action on our part. We appealed the judge's decision which stretched the matter into December 1985. We lost the appeal. We filed again for possession only to come before a judge whose opening remark was that as far as he was concerned, the first tenant in was the last tenant out. We had to withdraw our application and start all over again.

The action to obtain an apartment for my son in my own building where I was subsidizing a complete stranger has cost me \$2,000 in legal fees from one lawyer--I have not received a bill from the other lawyer--two years of my time, adding money from my pocket so that others may live comfortably at my expense, not to mention the time we had to take to prepare all these forms, deliver them and appear in court. The most important commodity, which I cannot put down on a balance sheet, is the effect that this has had on a husband and wife relationship and on my personal health.

Some problems are developing in this building and some work will have to be carried out. In coming years, major work will be required to the exterior wall. How is this to be paid for if the property is in a deficit position now? I cannot let a building deteriorate. I must also protect my position with my commercial tenants on the ground floor. They look for good standards in a building as well for as good appearance. No one whom I have addressed with this problem can believe a situation such as this can take place in our country.

I have all the documentation to substantiate what I have stated, including a transcript from the landlord and tenant court and the judge's decision. We can also provide documentation of a loss of rental revenue from a small one-bedroom house. By the time we got the tenant out, we had a revenue loss of \$2,700 and the destruction of property was such it cost us \$11,000 to refurbish the interior completely.

I will also state that we have a good three-bedroom house on our business property. We had problems with the tenants because of the appearance of the house and their constant disregard of our business and our requirements, so we had to get them to move out. They finally moved in February 1986. The house was a mess. Just a year before, I had spent \$1,200 on painting and on a new kitchen floor. I phoned the MPP for the area to ask him to come and see the condition of the house or to send a representative; however, there was no response. The MPP for this property is the leader of the opposition party.

We would rent this house for a term of one year to reasonable people. However, I demand the same rights as a tenant and my company wants the appearance of the outside kept up. We choose to keep this house off the market at a loss of \$675 per month. I know of two other people who have taken property off the rental market, not because the amount of increase is held

down to four per cent but because they would be unable to evict a tenant who was causing problems.

In closing, I submit the following recommendations: First, all small rental property be removed from the control of the Landlord and Tenant Act. This would include single-family dwellings as well as any building that had six or eight units. Removal from the Landlord and Tenant Act would encourage people to rent out flats or small apartments knowing that if it did not work out, they would be able to evict the tenant without incurring a high cost or long delays. Tenants would respect property; owners would respect a good tenant. I understand the original legislation that was proposed by the Conservative government had this exclusion; however, somehow it was changed to include small landlords.

My second recommendation is that, as in my particular case, there be immediate relief for any property that is operating in a deficit position and is below market value, unable to meet its financial obligations because of unrealistically low rents. An increase of six per cent, 10 per cent or 20 per cent on a chronically depressed rent is not right. I would ask for a 150 per cent increase and still fall below market for the area.

Rent should be governed by the cost of the operation, return on investment and the quality of accommodation offered. Rent increases should come in on properties having these prerequisites immediately and not be phased in over the next number of years.

For example, I am 53 years old and I have lost two years trying to get our policymakers aware of this injustice. If injustice is to continue, how old will I be before I gain any benefit on a property that was to be my registered retirement savings plan? One has to project only a 20 or 30 per cent increase over the next five years to find out how inadequate it is.

If assistance is needed by a person or family, let them apply to a rent review panel and let them prove they need assistance. Then the governing body can contact the landlord and negotiate a fair rent. How long can I go on in my situation? Am I expected to subsidize this investment indefinitely? Where do I get relief from this situation? When will this relief come?

I have included a little balance sheet on this property, which shows the position of the property.

I want to add that I came here Wednesday afternoon to sit in to find out how these proceedings were carried on so that I could draft my brief, and you can see by my numerous mistakes how well I drafted it. One of the gentlemen here referred to rental housing as an industry. Gentlemen, I am not an industry. I own three small houses that were purchased because they adjoin business property. I own another building that was purchased because it had two commercial offices and if we ever moved our company out of town, we might want to have an office in Toronto. I am not an industry and this is where the problem lies. Thank you very much.

Mr. Chairman: Thank you, Mr. Adamowich. There is a question from Mr. Ramsay.

Mr. Ramsay: Thank you for your presentation. According to what you have told us, your business of being a landlord, which is not an industry, is in a bit of a mess.

Mr. Adamowich: That is correct. It is only the one property that is in a mess because it was purchased as an estate sale.

11:00

Mr. Ramsay: That is one thing I want to clarify. Are we talking about one property? You talk about the house with the two very low rents and, on the next page, you talk about a building. Are you talking about the same house throughout or are you talking about the estate house?

Mr. Adamowich: No. The houses are not estate. They have been acquired by me because of the business for many years. The only thing that was an estate sale was this commercial-residential building, which has the four apartments in it.

Mr. Ramsay: Okay. We are talking about two different buildings here. On page five, you talk about this estate sale house with the two apartments in it, renting for \$195 and \$215.

Mr. Adamowich: Yes, but that is not a house. Call it a fourplex, if you wish.

Mr. Ramsay: Is it the same building you are talking about on page 6 when you are trying to get the room for your in-laws and your son?

Mr. Adamowich: That is right.

Mr. Ramsay: All right. That partly answers my question. I was wondering why you were going to buy it if the rents were that low. You had plans for your family, so that is what you wanted to do.

Mr. Adamowich: That is right.

Mr. Ramsay: Why do you consider investing in housing stock to be similar to a registered retirement savings plan?

Mr. Adamowich: In this instance, it could provide me with my own personal accommodation, and yet provide revenue for my old age. It would not cost me anything to live on that property.

Mr. Ramsay: But buying real estate on speculative terms such as that is--

Mr. Adamowich: This is not speculative, sir. I could have sold this place six months ago. I want the building for my own use.

Mr. Ramsay: The point I am getting at is that the purchase of any type of RRSP is extremely secure, whether it be somebody's mutual funds or just at the bank. It is not the same type of investment. You are trying to say that somehow you have been wronged through your decision to invest in housing stock as a retirement fund rather than using a mechanism with tax deferral features to it to provide for your retirement.

Mr. Adamowich: Perhaps I should not have compared that to an RRSP. Perhaps I should have called it an investment for my future years.

Mr. Ramsay: I am curious. Your reference to your MPP on page 7 is not quite clear to me. You say he is "a leader of the opposition party." Do you mean "the leader of the opposition party"?

Mr. Adamowich: No. I said "a leader of the opposition party."

Mr. Ramsay: I am sorry. Who is that? I am not sure exactly who you mean by "a leader of the opposition party." Who are we talking about here?

Mr. Pierce: There are only two.

Mr. Ramsay: Yes. There are only two.

Mr. Adamowich: Do I have to disclose that?

Mr. Chairman: If Bob Rae is not doing his job, I want to know about it.

Mr. Adamowich, I wonder whether I could ask a question. On the last page, when you talk about the property at 157 Jane St., I look at that and wonder why you bought it. When you bought it, you must have known the rent at the time, the income from the property and the mortgage that you were going to place on it. I think you know the business world and you know numbers. I suspect you are fairly astute in these matters. Why did you buy this building?

Mr. Adamowich: As stated on previous pages, my initial intention was to have living accommodation for my son and my in-laws.

Mr. Chairman: Where did it all fall apart? How could you go from an anticipation that it would provide you with this type of security--

Mr. Adamowich: The law provided me with the fact that I was able to gain accommodation for my son. It says in the Landlord and Tenant Act that I am qualified to obtain a unit for my son. The law also states in that act that I am qualified to obtain a unit for my in-laws, who are direct family. That is what the law states in the Landlord and Tenant Act, and that is the purpose for which I bought the building, for my son who will be 26 years old in November and for my in-laws who are now close to 80 years old. They were living in North Toronto and are now five minutes away from us by car, so we can look after them better. The law provided me with this only until after I bought the building. After I bought the building, the idea fell apart.

Mr. Pierce: Is that then to understand that your son and your in-laws would have paid rent that would have been much higher than the existing renters were paying?

Mr. Adamowich: No, it is not. The fact is that it is immaterial what they would have to pay to maintain the building. They are family; that is the long and the short of it. If my son for some reason happened to be short a few bucks one month and did not pay the rent, I would have to say, as any parent would, "Get me next month; get me later."

Mr. Pierce: He would be easier to evict.

Mr. Adamowich: I do not know about that.

Mr. Taylor: From your statement, you would not be making any more rent.

Mr. Adamowich: I do not understand that. If the chairman is asking how I could fall into this situation, the point is that this situation should not be there for anyone to fall into, let alone me. The law should provide

that in an instance where something such as this does exist, one can get out of this situation. I did not expect to be in this situation at all.

I expected to be in a situation where I would have my family living in the building and I would have two other rental accommodations that would be adequate to cover the cost of the building. Now it turns out, as has been stated previously in many cases, I am advised to sell the building. That is not the point. I can sell the building, but is that the only alternative I have to get out of this situation? Is this what the law provides in our province? To sell the building? What does the next person do? He still has to face the same law.

Mr. Pierce: I have another question. In the early part of your submission--I have to look for it a bit--you made reference to an older person who was living in your building and said you had not increased the rent for a couple of years. Is that right?

Mr. Adamowich: That is a house.

Mr. Pierce: I am not sure where it is here.

Mr. Adamowich: It is not an older person but a middle-aged person; not even middle-aged.

Mr. Pierce: All right, but somebody who could not afford to have any increases in her rent.

Mr. Adamowich: Did I say that?

Mr. Pierce: Did you not say that?

Mr. Adamowich: No. I do not believe I stated that.

Mr. Pierce: On page 3.

Mr. Adamowich: "I have a case where this year I have not raised the rent on a small one-bedroom house that I rent. The tenant is a single lady. She is quiet and undemanding, keeps the place well inside and out and pays her rent." I feel I must raise the rent to what the law allows, because should she move out--and I do not know how long she is going to live there--and there is a rental registry, I would be asking, instead of four per cent, eight per cent, and I would not be able to get it. I would not even be able to get whatever the current figure would be for that year.

Mr. Pierce: Given Bill 51, you would feel obligated to raise the rent, whether it was justified or not, just to keep it in line?

Mr. Adamowich: I have not raised it yet, and this is September. According to the act, I have to give 60 days' notice before I can raise the rent. I am in a dilemma whether to do it. It is a borderline case, but a lot of people do not understand it.

In a small house, if the people have to pay their own utilities and heat and the rent, it becomes borderline whether they want to live in that house or in an apartment. If you raise the rent too much on a small house, the people will say: "Fine. We are going to live in an apartment." Then I have to look for another tenant. Perhaps I will not be as fortunate as I am at present. I have had other people in that house who cost me dearly.

Mr. Taylor: Can I have a supplementary to that? Have you had any experience with rent review?

Mr. Adamowich: I have not applied for any rent review. I have sought advice to go before the rental review.

Mr. Taylor: The reason I am making the point is that you gave us a comment I think is interesting, that is, that the market may not be there for higher rents. You reach a point where even though your rent is not producing a proper revenue--you show an \$11,000 deficit on this house on Jane Street--even though the accommodation is not producing an economic return on your investment, I hear you saying that if the rents were much more, you might not have a tenant.

11:10

Mr. Adamowich: This gentleman referred to a one-bedroom house. You are referring to a commercial building with four apartments in it. They are two different entities. I gave two examples.

Mr. Taylor: I understand.

Mr. Adamowich: This gentleman referred to a house on which I have not raised the rent, and I explained that if you raise the rent by too great an amount, you may not have a market for it. You are referring to the apartments, which were an estate sale. I have purchased them, not knowing the consequences of this type of thing. They are two different properties.

Mr. Taylor: Therefore, they are different situations.

Mr. Adamowich: Yes. I gave two examples here.

Mr. Taylor: If you were permitted to get an economic return, there would certainly be a market.

Mr. Adamowich: Absolutely.

Mr. Taylor: Thank you.

Mr. Pierce: I have one other question on the same item on page 5, to go beyond the house into the estate sale. You claim that you purchased it in October 1984 but you have not increased the rents, even though you admit that the rents are at a depressed level of \$195 and \$215 per month. Can you tell me why you did not increase the rents in 1985 and why you have not proposed to increase them in 1986, even by the amounts allowed under the act today?

Mr. Adamowich: This was legal advice. We were concerned about the interpretation, going before the judge and asking for accommodation for my own family and at the same time having a petition to raise the rent. We did not concern ourselves about raising the rent. All we wanted was accommodation for our family.

You are asking me why I did not raise the rent. I did not raise the rent because I did not want the money; I wanted to have my family in the dwelling. Now that I am not able to get the family in the dwelling and I am subsidizing people who are quite wealthy--they are not wealthy, but they can support themselves quite adequately--I turned to the law, but the law does not allow me to get a proper return on this building. This is my problem.

Mr. Hennessy: It is fairly confusing. Assuming that one man makes \$40,000 a year, you are thinking he should pay more rent. If another tenant made only \$18,000, would you gauge the rent you are going to charge for the property according to his income? A person should not be penalized because he is making good money, and you should not be penalized on the other side. How do you gauge it to say, "He makes \$40,000 a year and he should pay more rent"? If a person makes only \$12,000, should he pay less rent? Are you gauging your rental by the salaries people make? What a person makes in salary is his personal business.

Mr. Adamowich: First, I quoted only an estimated amount of \$40,000. He could be making more or less, and then I would be incorrect in all areas. Second, the amount of rent charged for any apartment and what the person who is renting the property is making do not enter into what the value of that property is. There are people who can afford to pay more who live in cheaper accommodations and there are people who live in high-quality accommodations but cannot afford to pay for them. That is not the thing.

If you will bear with me, I believe I stated in closing that anyone who needs assistance--I do not judge how I rent the few properties I have by the amount of money the man or woman is making. In my final paragraph, I said that if assistance is needed by a needy person or a family, let the needy person apply to a rental review panel, such as the one to which the landlord applies to get an increase, to use that as an example.

If I conveyed the idea that I am judging I need an increase in rent because the man is making more money, I apologize. I did not mean to convey that. I am only conveying the fact that the rent is depressed. Irrespective of what the person is making, the rent is still depressed.

Mr. Hennessy: Maybe I misunderstood you, but you mentioned that you applied to a judge. Have you ever applied to the Residential Tenancy Commission for an increase in rent?

Mr. Adamowich: No, sir, I have not. I have just explained that we were not interested in an increase in rent at the time. I am sorry. Are you referring to the same time as Mr. Pierce did?

Mr. Hennessy: Yes.

Mr. Adamowich: When I made inquiries to the Residential Tenancy Commission, I was given a hotline number and told to make an inquiry. When I made this inquiry regarding Bill 51, I was told that nowhere in Bill 51 would I get more of a return than probably 10 per cent on my investment. That is what I was told over the telephone. Therefore, I have not proceeded any further with a rental review application.

Mr. Hennessy: Did your legal adviser not advise you on the direction to go? Did he tell you to go to court or before a judge? He never told you to go to the tenancy commission?

Mr. Adamowich: No. Quite frankly, I did not ask my legal adviser whether I should go before the tenancy commission. I will be quite honest with you again. I run a small company and I have lawyers whom we use in our small company, and they do not want to touch this. I do not know where to go with this. I am being quite truthful here.

Mr. Hennessy: A judge would know about this commission. Knowing that

he would not have the jurisdiction to make a decision on your case regarding rental units, the judge might say, "Your best bet would be to go to the tenancy commission." That is why it was set up by the government: for landlords or tenants to go there. This is usually a court to some extent. Going the other way, the judge might have known about the tenancy commission and he might have said: "There is not much sense in my making a ruling. These are the people who should make the ruling."

Mr. Adamowich: Then I would have to go before our judicial system.

Mr. Hennessy: That is right, to these people.

Mr. Ramsay: Mr. Adamowich, I want to get back to what we have just been talking about. You have never really made it clear why you went before the judge. Can you explain that to us?

Mr. Adamowich: I went to get possession of two apartments.

Mr. Ramsay: Do you think it should be the right of landlords to purchase a property and then evict people as soon as the property is purchased so they can rearrange the leases to suit whatever means or reason they want?

Mr. Adamowich: I do not think so. If I purchased a house and somebody was living in it and I wanted accommodation, I would expect to be able to get that house. At the same time, if I purchased an apartment that had 20 units in it and I had only one son, I would need only one unit, regardless of what the rents were.

Mr. Ramsay: Do you not think you should wait until you have a vacancy or choose a building that has vacant apartments, because you have the tenants to fill those vacancies, rather than purchase something where people are ensconced in their apartments, rightfully so, and just evict them?

Mr. Adamowich: Do you feel my son should have to go out and rent an apartment somewhere else, or should he be able to rent an apartment in my own building? We have to look after this building. We have to put the garbage out, we have to cut and water the grass, we have to do everything.

Mr. Ramsay: Maybe your son--I am a son too--can take care of himself and get his own apartment and not have to have his dad provide him with one.

Mr. Adamowich: We are a family business.

Mr. Pierce: Under the existing act, the purchaser is allowed to move his family into an apartment. It is not a question of whether you could or could not or whether you should or should not. Under the act you can. That is the question.

Mr. Ramsay: So you just kick people out.

Mr. Pierce: That is right. You can evict people under the existing act.

Mr. Chairman: Thank you, Mr. Pierce, for that clarification. Mr. Adamowich, thank you for coming before the committee. We appreciate it.

Mr. Chairman: The next presentation is from Stan Attenborough. Is he here?

Mr. Attenborough: Yes. I will make introductions. Grant Showers will read our brief. The other two are Wayne Scanlon and Robert White, and I am Stan Attenborough. I will leave the input to Mr. Showers.

STAN ATTENBOROUGH, GRANT SHOWERS, ROBERT WHITE, WAYNE SCANLON

Mr. Showers: There are four of us here this morning, and I will make a general presentation on behalf of our landlord group. We came down as a foursome; so each one of us would like the opportunity to be part of the presentation. I will speak for a few minutes, and then the others will speak.

Mr. Chairman: Do you have extra copies of your brief?

Mr. Showers: I have one, but it is marked up. I will send you a copy, if you wish.

I am going to direct myself to the proposed bill, Bill 51. I want to thank you for the opportunity to present this brief on behalf of a group of landlords in the city of Orillia. We represent the smaller property owners. The larger apartment owners are represented by other interests.

Many of our group are members of the Fair Rental Policy Organization of Ontario, and we support its philosophy that a fair rental policy should be developed for the landlord and the tenant. I am sure you people are familiar with the organization and you know its policy and philosophy. We feel that, in the final analysis, the fairest policy is the removal of rent controls and moving back into the free market.

You are well aware of the arguments for moving back into the free market, so I am not going to dwell on them. You have heard them all in these hearings ever since they have been going, I am sure. However, I would like to bring to you some of the thoughts of our landlord group in Orillia that pertain to the bill. We get together from time to time, and this brief I have was made up after we got together. I was asked to put it together, and the four of us came down to make the presentation.

As you are aware, this bill was originally drafted as Bill 78 and is now Bill 51 which--and this is very important--is the combined effort of input by both tenant groups and landlord groups. Although it is not perfect, in our opinion, it goes a long way to solve inequities in the current bill, particularly against the landlords. It is not perfect, but it is a lot better than what we have now and a lot fairer to both sides.

Our prime concern is that, after the hearings are completed, there will be a watering down of the bill when it gets into the hands of the Legislature, as it may be expedient to do so to garner votes for the next election. Let us be honest about it. We are concerned that some of the leaders of the tenant groups and others have only one thing in mind, and that is socialized housing in this province.

In Orillia, new rental property is at a standstill. The only property that is being built is convert-to-rent. I cannot think of a single start at present that represents an individual builder. As a matter of fact, in the past two years, there have been 12 units built that have not been subsidized.

We feel that with a change in the new act, with some of its possibilities, the builders may become more confident and go back into the building market. Although the new act is not perfect, it will give the builder more confidence than he has today under the present act. You must bear in mind that the builder wants to get into the apartment rental business, but he wants to get in where he can make a return on his investment.

Another thing we are concerned about is the terrifying remarks quoted by tenant representatives recently on the radio. I do not know whether you listen to CBC, but tenant representatives made some of the most shocking remarks I have heard in my life; that landlords should not be able to sell for 10 or 15 years after they buy a property, disallowing flipping. If a little guy like me buys a triplex or a fourplex and a couple years later wants to get out--maybe because he wants to sell out and go down south--he cannot sell. They suggested that a luxury tax might be paid on the profits or that the maximum increase on a property should be no more than five per cent. Holy mackerel! Where is the free enterprise system we Canadians are so proud of? If the likes of these tenant representatives are so concerned about available housing, why do they not get the money to go into the business and build the houses or go into the rental business?

Another thing that concerns us is the abolition of adults-only apartments, which is making prospective apartment builders consider any of this. Surely it is the right of a senior citizen or an adult, who probably raised his family and probably has grandchildren around him, to be able to go into a building in which there are children by invitation only rather than finding them running up and down the halls. We are not suggesting every building be this way, but surely to goodness when I become 65 years old, I am entitled to go into a building where my grandchildren will come, but then when Sunday goes they will go, and I will have peace and quiet until they come back.

Our group agrees that affordable housing is necessary and that a long-run solution may be some type of means test, where if the rental is more than 30 per cent of his income, the applicant may apply for a subsidy. When I rented my first apartment, I would not have been allowed into the apartment if I could not have paid 25 per cent of the rent. Now the percentage has gone to 30 per cent. We think there should be affordable housing, but we are not in the business of subsidizing. I am in the business to make some money. I am entitled to a return on my investment.

We are pleased to see that the act now will allow the landlord and the tenant to get together and agree on rent increases over and above the ceiling. These increases, properly documented, can be taken to the rent commission for the commission's approval.

As I understand the provision, if I have a triplex, have had some problems through the year and know it is going to go above the four per cent--in this case, maybe it is 5.8 per cent--I can get together with my tenants with the documents from the tenancy commission, and we can agree among ourselves that I need a 13 per cent increase. I have to forward properly the expenses and a statement of what I have done. I appreciate that. We all agree, I take it down and the tenancy commission, unless there is any reason to believe otherwise, allows me to make this increase without having to come before a hearing.

I had that experience once, and my tenants came to me afterwards and said, "Mr. Showers, why did you not tell us you needed this?" I told them: "I could not do it. If you and I agreed ourselves that I needed this increase, I

would be breaking the law." You all well know that is so under the present act. This gives the landlord at least the opportunity to negotiate with his tenants without an adversarial contest.

We are also pleased to note that under the bill, a landlord may negotiate with an individual tenant regarding an increase in his apartment rental rate. We think this is very fair. A tenant comes to me and says: "You know, I would like this done in the apartment. I would like that done in the apartment. I would like a new refrigerator. I would like a new stove. I would like to do this." He may want a balcony on his house or something changed in his apartment. We sit down and agree this is what we will do. We go to the commission, which gives us the permission to do it. That means I no longer have to go to every tenant in the building and say, "This is what this tenant wants to do, and we will have to spread it equally over all the rest of you." I think that is fair.

We are concerned about the spread between the older and newer buildings regarding the ceilings in rent increases in the new bill. We feel that in the long run, the landlord of the older building may start to throw his hands up and let his property run down. As you know, in the new bill there is a provision for between five per cent and the other end; I think it is about 15 per cent. Unless I misunderstand it, we question why rental increase guidelines are not applicable to provincially owned properties. Perhaps you can answer that question for me, because I do not know the answer.

Mr. Davis: We should ask the minister; it is a good question.

11:30

Mr. Showers: Right at the bottom, when a tenant gets his new lease, it is not subject to the Residential Tenancy Commission.

We are asking that the rules remain constant for a while so the landlord can forecast his cost of operation through renovation and improvement over an extended period. Once this act is in place, we do not want to see revision after revision so the landlord does not know where he stands. I do not know about the last man here, but we try to run our apartments on a businesslike basis. Although none of us depends entirely on the revenue from our apartments, we are proud apartment owners and we keep our properties up the very best we can. We have to have some guidelines so we can continue to keep up our apartments and have a pass-through where it is a bona fide pass-through.

One of our group feels that in apartments where there are wide fluctuations in rent for the same accommodation, there should be a levelling out so all rental units will be equitable for all.

I would like to refer to an article I brought it with me from the Orillia Packet and Times. The spokesman they are interviewing in this case is Fayne Bullen. Those in the New Democratic Party are probably familiar with Fayne; he has run several times on the ticket and lost. Here is what the article says:

"Fayne Bullen is in a difficult position when he discusses the issue." We are talking about "Rent Controls--Creator of Slums?" "Bullen is an ardent New Democrat member who has backed his party lobbying for legislation. He is also a landlord of about 25 local rental units. He will not speak out against controls but he is also upset about the lack of definition of equalizing rent paid for similar apartments." I just referred to that in our brief.

"My one criticism is based on fair rental evaluation," said Bullen, a high school teacher and a recent NDP provincial candidate. "You have to determine the real value of a unit. Then you can know how much it can increase."

In other words, there is a man who is very active in the NDP and who is a property owner like the rest of it. He is asking about this very point that was raised by one of our group, that there should be a levelling off. He also speaks to the next suggestion: "Another suggestion is that properties be appraised and guidelines be comparable for rents established for similar properties." There again he is asking for the same thing.

I can give you a good example. I happen to have a triplex. I am getting \$226 a month for one unit and \$216 for the other. I went before the rent review board. I know an apartment down the street in the very same type of building for which the guy is getting \$400 a month. Can you tell me where the equity is in that? A person said recently--I guess it was Mr. Ramsay--what is a fair return and should we look at someone's income? Holy mackerel; \$216 or \$226, and the best I can do at present is go with four per cent. The two girls have been in these apartments for years. They know they have a good deal. They tell me that. They are not going to move out of there in 100 years; I would not.

We visualize rent registry as a nightmare. The administration will be horrendous. Take into consideration that in Orillia alone there will be between 500 and 700 multiple dwellings, i.e., duplexes, besides larger accommodation. What are we going to do with the little guy in an R-2 zone who has taken a single-family dwelling and built a little apartment for his son or for somebody else? He suddenly finds he has to register. He may be getting only \$150 a month in rent out of it. He knows that if his parents die, he is stuck because he is going to have to register a rent of \$150 a month with the tenancy commission. He is going to say: "To hell with it. I am not going to rent the apartment any more." We are going to lose that accommodation. Orillia cannot afford to lose this type of landlord. We have a 0.003 per cent vacancy rate in our city at present. If we lose half these people, we are going to be 0.0003 per cent.

Furthermore, a rent registry can develop into a witchhunt on illegal rents that were not limited to August 1, 1985. Even though you are saying they are not going to hunt out those pre-1985 illegal rents on smaller dwellings, holy mackerel, once they set out, you can be sure tenant groups will be out witchhunting and saying, "Look at that."

In summary, I feel that Queen's Park representative Derek Nelson, whom you are all familiar with, sums up the review act very aptly in his bylined article of August 30, which is attached. I would like to read a bit of it. He says there were 20 people on the Residential Tenancy Commission when the bill was rearranged. Most of the opposition is from the tenants, other than the self-appointed people on the tenancy commission. These are the sharks who bite. I am going to give you a copy of this because I am not going to bore you with the whole thing. I hope you have all read it. It is an excellent article. It says here:

"In the meantime, the advisory committee's slightly shaky swimmer is heading for shore." As landlords, we believe the bill is going to make it because we think the bill is the best there is at present. "Whether he makes it seems to depend on whether the Tory members decide to support enough of the bill that it survives fundamentally unchanged.

"Grenier's aim of abolition is right, but life isn't perfect." We realize that. "When you consider the old anti-profit rent rules, perhaps the politicians should allow the swimmer to crawl up the sand to safety. I think so." We think so.

Thank you very much, and I will pass the remarks on now to Mr. Attenborough.

The Vice-Chairman: Thank you.

Mr. Attenborough: Are you going to ask any questions?

The Vice-Chairman: No. I think you should complete your presentation and then we will ask them.

Mr. Attenborough: My name is Stan Attenborough, and I am a small landlord with two semi-detached houses, one which I lived in for 15 years myself and then moved out in 1977.

There is no question in my mind that rent control is the most regressive, antisocial law ever brought out, because housing is a fundamental issue. When rent control comes in, we are aware that the governments can ill afford to be the major landlord.

I would like to read a couple of articles. This one came out of the February 6, 1986, Toronto Star and is entitled "Rent Control is Rent Control." I would like to put this one on record because I agree with it totally. It is written by Walter Block, a senior economist with the Fraser Institute in Vancouver.

"Recently, a new twist has been added to the argument in the defence of rent control legislation. According to this perspective, it is far too 'simplistic' to assert, in a straightforward manner, that rent control leads inexorably to various types of housing disarray.

"No, we are now told, reality is far more 'complex' than that: Different types of controls will lead not to the same conclusion, but to very different results, depending upon which specific types of controls are implemented.

"This view does more than affront logic and common sense; it is in violation of numerous empirical studies of the effects of rent control.

"Certainly, all instances of these legislative enactments have something more in common than a mere name. They all mandate that rents be legally forced below the level that would otherwise have been obtained in the absence of such an enactment. What common effects will all such laws have? They will all make investment in residential rental units a less attractive proposition than otherwise. This, in turn, will retard new building, promote housing deterioration, reduce vacancy rates, encourage racial and other discrimination and decrease labour mobility." That is a biggie with labour mobility. "(The evidence for these assertions may be found in a Fraser Institute book entitled Rent Control: Myths and Realities, which studies the experiences of eight different countries with this legislation over the past half century.)

"True, the strength of these effects will vary with the strictness of the control in question, but from this fact it does not at all follow that rent controls--all instances of them--have nothing in common.

11:40

"There is little doubt that imposing rent control on a city is very much akin to punching out its stock of residential housing units. The only question that remains is one of determining how strong a blow has been struck in any given case.

'New York City's early form of rent control, for example, was a real knock-out punch. It did not provide for any rental increases whatsoever, nor even for vacancy decontrol. True, it has moderated in recent years, and rent 'review' has come to take the place of rent 'control' for many thousands of housing units, but the Big Apple's 45-year experiment with rent limitations, by whatever name, has spelled the death knell for hundreds of thousands of people's homes.

'Ontario, too, has unwisely passed rent control legislation. It is not as strict as New York's used to be, and it has only been in effect for about a decade--too short a time to provoke a South Bronx-style response. Recently, changes in the law have been made. Unfortunately, however, in the wrong direction. In a new enactment brought down by the Liberals, the permissible rent increase was reduced from six per cent to four per cent." You must remember this was February 6, 1986. "This is akin to punching out the housing stock of Hometown at a significantly higher rate.

"But this is all beside the main point. It deals only with the degree to which different regimes of rent control will attack the rental unit stock. On the fact that this will be so, there can be no question. Even eminent socialists, economists who have called for government intervention on numerous other occasions, have pulled back in the case of rent control.

"For example, states Nobel Prize winner Gunnar Myrdal, an important architect of the Swedish Labour party's welfare state, 'Rent control has in certain western countries constituted, maybe, the worst example of poor planning by governments lacking courage and vision.' And in the view of socialist economist Assar Lindbeck, 'In many cases rent control appears to be the most efficient technique presently known to destroy a city--except for bombing.' In fact, the proposition that 'a ceiling on rents reduces the quantity and quality of housing available' was supported by an overwhelming 98.1 per cent of economists polled in a recent survey reported by the prestigious American Economic Review.

"Let's face facts. Rent control is an assault on the rental housing stock, and the sooner this elementary postulate of economics is recognized, the better the future housing conditions for Ontario tenants."

Examine this recent editorial in the Toronto Star, within the past couple of weeks--

The Vice-Chairman: Mr. Attenborough, may I interrupt you for a second to let you know you have about 10 minutes left?

Mr. Attenborough: I will let that go. You are aware of the story.

If wage controls had remained the same as rent controls and continued to be the same from the time rent controls and wage controls were instituted in 1975, I really could not have too much to say. But wage controls have not remained the same, nor have any other controls. The only segment of society that has remained the same has been rental housing.

I may not be a Bolshevik; I may be a Menshevik. I am a socialist, and I believe that people who cannot afford to take care of themselves should be taken care of by society, particularly those who are there because of conditions that are not of their own making.

By the way, I am for Bill 51 as a start. I think Bill 51 is definitely a bottoming out; it is time something occurred. We should have a rate of increase per year of two per cent above inflation. Over a period of five or six years, as long as we could have some security in knowing the government is not going to back up on this and legislate it out, this would certainly give confidence to the market. Thank you, gentlemen.

Mr. Showers: Mr. White would like to address the committee.

Mr. White: Mr. Chairman, I am going to speak logically and actually from experience. I will ad lib. I have approximately 100 units of different types in Orillia, and I will say that Bill 51 seems to answer a lot of our questions.

I would like to speak first on equalizing rents. I have a building that qualified to have very high rents for some apartments, and some equal apartments in the building are almost \$100 less. I have affidavits that say I did not raise the rent on people for two years to try to equalize those rents and bring some of the new tenants into an increase that would balance the building. I went to rent review and it was not allowed. I appreciate Bill 51 because it is going to spell out some of these things and make it better. This is something that should be equalizing rent in all buildings.

Second, another building that I purchased in good faith some four years ago did not have any rent controls on it. I operate that building in the best of ways. I have excellent tenants and I increase the rent very little. Again, I am in a catch-22 situation because you have come in with a bill saying it is under controls. It did not need to come under controls. The occupancy dictated that, and I can show you the picture. I did not raise those rents by a high rate. It was by four, five or six per cent that I raised those rents, and it worked fine. Now I am in a catch-22 situation if anything should happen that I cannot get my investment back.

Last but by no means least, there is another building that I feel is a depressed rental, and I support Bill 51 for that reason. Do you ever consider what four per cent of \$200 is and what four per cent of \$400 is? Most people think it is the same amount, and it is not the same amount. I have records on this building, since I bought it 20 years ago, which show that I sometimes raised the rent by 40 cents a month, and sometimes by \$2 a month. All of a sudden, out of nowhere, came rent controls.

I have a very good paying job. I have the most beautiful tenants in the world. However, because I did not need a return on that building as such, the rents were kept quite low. I am talking about a one-bedroom apartment that has cable TV, stove, refrigerator, parking, heat--everything--for which I am getting \$299 a month. I would say it is quite likely the best apartment in Orillia. There is a list a mile long for people to get into it. This situation should be rectified, because the value of that building, instead of \$1.2 million, is quite likely \$650,000 because of the controls.

What I am saying is that I can support the point about depressed rents in Bill 51, but somewhere along the line--and this is my last point--there may be a valuation of that building, where the taxation assessment department

comes in and says: "Yes, this building is worth so much. You should get that value in your rent. Do not raise the rents of people who are in there now, but as the apartments become vacant, you can charge this amount of money."

However, I would like to challenge anyone who has a building as nice and show him the apartment for which I am getting \$299 a month. It is a shame. Again, the point is that I purchased this 20 years ago on a point of retirement. After I left my good-paying job I required a little more income, and someone said: "No, your plans have been changed. You cannot have it."

Bill 51 seems to go a long way to this. Our tenants are good. They support me in most situations, but I do feel that an appraisal and a new rental for those people who come in, who are not in the building now, should be accepted as an addition to this type of bill.

Mr. Scanlon: My name is Wayne Scanlon. I have been a small landlord in Orillia since 1974. I am an ex-house builder and I now have a sole practice as a real estate appraiser.

I enjoy doing physical repairs. I enjoy doing my own repairs on my own buildings, and I have the skills from my ex-building business. However, I enjoy the buildings less now because there is more and more of an adversarial situation.

I support a lot of things in Bill 51. My concern is that people who draft legislation tend to be bureaucrats who think along the lines of paperwork. If I have to spend my Saturdays doing paperwork, then I am not interested, because I can make good money doing paperwork during the week. I would rather be out working on my buildings and making repairs. A lot of small landlords--I am talking about duplexes, triplexes, etc.--own the building for a return and for the pride of ownership. If it becomes a paper chase--and I realize every situation requires some paperwork, but if it becomes almost a daily or once-a-week thing--it is going to discourage a lot of people. I speak from experience, because I have been a property manager in receivership situations and so on. I have run small apartments for private lenders and in one case a private lender guaranteed by Canada Mortgage and Housing Corp. In the month the private lender gave up the property to CMHC, my paperwork doubled. I am deeply concerned that some portions of Bill 51 could create a very onerous task for small landlords in regard to paperwork. Many of these people are interested only in actually getting out and doing the work.

11:50

The Vice-Chairman: Thank you, Mr. Scanlon.

Mr. Showers: In summation, I think you can realize from what we are saying that we are not here to kick Bill 51 in the face, we are here to say it is the best we have seen to date. We support it. We have some reservations about some things in it, and in the long run we would like to see the end of rent control, but we are here and we will live with the bill.

The Vice-Chairman: Are there any questions from committee members? I caution you to keep them short, because we have to adjourn shortly. We still have one more deputation to go and we have to be back at one o'clock for our afternoon schedule.

- Mr. Hennessy: I have one question. You mentioned \$299 per month for the apartment. Do you pay for light and water or do they pay that?

Mr. White: I do not pay for light. They have their own electric meter. I pay all the heat, water, parking and cable TV, which increased \$3.50 this year alone.

Mr. Hennessy: You pick that up.

Mr. White: I pay it all.

Mr. Pierce: Gentlemen, in all your submissions and comments you have indicated your support for Bill 51. Mr. Showers indicated that Bill 51 cannot be changed if it is going to be accepted by landlords, that it has to go in its present form.

Mr. Showers: I did not say that. What I said was that we like Bill 51. We are hoping it will not be changed. We are hoping it will not be watered down. The way it stands now, at least there is fairness to both parties. We visualize that, no matter what we say, the bill probably will be changed to some degree, but we are trying to put credence and support behind the fact that we do not want it to be changed.

We are realists. We realize we have a long way to go with this bill here. We know it is not going to come out exactly the way it is now, but at least we are telling you we are happy with what we see in it now. We hope it does not change and become so watered down that it ends up being a bill that could be more unsatisfactory than the bill that is currently in place.

Mr. Pierce: Would Bill 51 encourage you to expand your landlord portfolio?

Mr. Showers: Yes. I am always looking for a good triplex. I have been in the business since 1972, and I bought a private dwelling not more than a year ago. Fortunately for me, I do not depend upon my properties for an income. I take a lot of pride in them, but what I do hope in the long run is that one day, even though there are occasions when I have to subsidize them, I am going to be able to get a return on my investment, sell the property and make a few dollars out of it, plus enjoy being in the business. Yes, I would buy more property, no question about it.

The Vice-Chairman: Seeing that there are no other questions, I would like to thank you for your very informative presentation. Certainly the committee will be considering it, among all the others. Thank you for making the effort to come here today.

Mr. Showers: Thank you. We appreciate being heard.

The Vice-Chairman: I call upon our last deputant this morning, Mary Cebry. Welcome to our committee. We have given you a half hour, but we are running a little late. All I can do is request that you make it as short as you can. We would appreciate it, because we are going to have to get back at one o'clock and things will be rushed. The floor is yours.

MARY CEBRY

Mrs. Cebry: I would like to thank you. I really appreciate this. I think your giving an opportunity, I think for the first time in history, to landlords to speak up about what is bothering them, is a great idea, actually (inaudible) up already to the edges. You know that, I know, everybody knows. Everybody feels sorry for them. Wherever you walk out, if you say you are a

landlady or landlord, you get the reaction any place you go. There is no doubt about that.

I have been in this business about 20 years, a long time, believe me. I do not know for how long I will be in it. I would love to be in it until the last day of my life, because this is probably the only thing I know how to do to support myself and help the country. The more money I make, the more money the country will get in income tax and city tax. I just paid, to contribute to the city as a taxpayer, more than \$100,000. I am hoping that money will go places where they need it. I am sure all parties here, everybody here is doing his best. I am not making any personal for anyone. You are the politicians--and I trust you. I am the landlady and I am doing my best, but now doing our best is not enough.

Being in the Old Forest Hill area, we heard a presentation by Kay Gardner and her lawyer, Mr. Fink, that was really an insult to landlords. She is just around the corner from me, and my reason for going was to see whether any of my tenants were there. I have about 100 units there. Not even one tenant showed. She can brainwash, but not everyone.

Under the present law, right now what you are facing, is 100 per cent unhappy tenants--I mean 100 per cent unhappy landlords; I think that is the effect of my 20 years being in that business--and 50 per cent of the tenants. You do have 50 per cent of the landlords in favour, because in my building, which I own already--I bought that complex in 1979--I have good tenants. There is no such thing that all landlords are bad and all tenants good, or the reverse. We have good tenants. We have tenants who hate landlords and this act and the restrictions.

I am telling you from my own experience. Talking about the rent, we have heard here from the landlords for so many days and I really--

Mr. Chairman: I am sorry to interrupt. Can you sit a little closer to the microphone please? We are having trouble picking you up for Hansard.

Mrs. Gebry: I am sorry. This is the first time I have appeared politically. I never get involved in anything because I do not have the time. Right now, I am taking time off. I have a problem in the building; an automatic door in the garage just fell. I got a message from the superintendent. I will be here perhaps 15 or 20 minutes. I have to run.

I am losing myself. Anyone could talk on. I do not want to go on and on. I want to make a point loud and clear. Under this law, landlords have rights. Okay, we hear what those people are saying. Under the law, if you purchase a building and need it for a daughter, father or whatever relative, you can give tenants 60 days notice under this law. I do not remember which paragraph it is. You were asking "why do you fight?" and so on. Those paragraphs, from my own experience, will not stand in the court. You cannot go to the commissioner because a paragraph says the landlord has to give 60 days' notice to the tenants to vacate the apartment for a reason under the Landlord and Tenant Act. There is not a special form. It is need for the immediate family or whatever. If the tenants will not move out, according to this you take them to court, not to the commissioner. The Residential Tenancy Commission is there only if the landlord needs to increase the rent or if someone reports the landlord because he is taking more than he should.

There are paragraphs for damages, unpaid rent and persistently late payment, which are common problems that landlords and landlords face every day. The landlord and tenant relationship is like a marriage: Either you have a good marriage or you have a bad one. I have been in court many times under these paragraphs. It is the law, but you cannot win. They had 27 cases recently, about two weeks ago, and said: "Okay; make a five-minute speech. You are the landlord, you are the tenants and you have a problem with unpaid rent, late payment and damages." He threw everybody out in the hallway and said, "I am warning you that if you do not reach a settlement outside those doors, then you are in trouble."

Under the law, he has no authority to give it, one way or another, such as to the tenants who were in the apartment because he said there was no vacancy. Having no vacancy is not true. We are appealing the vacancy; for one reason or another, it is a vacancy. I do have some vacancies, but the reason I do is that I select the tenants. I am better off having a vacant apartment than having bad people who do not pay rent. That costs me more than to keep apartments vacant.

When I drive on Bloor Street West at Old Mill, there are a few nice buildings there, fourplexes and sixplexes, there is a big sign, "Vacant apartment, \$400, two bedrooms, with approval of the commissioner." I talked to the landlord. By law he should charge \$300, but he said he cannot afford to rent a two-bedroom at Old Mill for \$300; the tax is probably more than the income. He is reversing the situation. The tenant wants to pay \$400 for two bedrooms. He said to the tenant, "Go to the commissioner and bring me his signature." The tenant went to the commissioner and said: "I want this two-bedroom apartment. I think \$400 is fair and I want to pay it." The commissioner said, "I will not put my signature on that because it is illegal."

The two-bedroom apartment is vacant. It is just across from the Old Mill subway station. It has been completely empty for two or three months. We have a situation, a problem right now, and everybody knows it. We have unhappy tenants and unhappy landlords. The tenants do not like Bill 51. You are going to have more demonstrations such as the one yesterday. They are there and they have nothing to do. When I looked at that bunch yesterday, there were 200 nice people, over 65, good-looking and nicely dressed. They came from the hairdresser. They probably spend more on makeup than on their rent because the rent is \$250 or \$300 a month.

Of course, they will follow Kay Gardner. When she says, "We cannot pay more," how much are they paying? She said \$200 or \$300. I am in the area and I know every building there. I am just across the road from the buildings on Eglinton and Old Forest Hill that the city purchased recently, thanks to Kay Gardner. That cost me as a taxpayer an arm and a leg. My \$100,000 went to the tribunal for the penalty, whatever had to be paid to the rent review. Do you remember that case? When the city purchased that building, to my best knowledge a newspaper item said it raised the rent \$100 on each unit. If I were to do that, I do not want to think about what would happen.

I will show you something I got this morning. I have from the bank an not-sufficient-funds cheque dated August 7 for \$245, which is the monthly rent for a bachelor apartment. Perhaps somebody would like to see the cheque. This is most common. The tenant gives you the cheque and it comes back NSF. You then go to court. I have been in court, with some other people, then since November 1985. Actually, I have a hearing on September 11. That is when I have to go in front of the judge again.

I do my own paperwork because I learned that no lawyer will take it to court. You cannot find a lawyer. If you find a lawyer who is right out of school, he does not know about this. My lawyer is 86 years old and is still working seven days a week. He told me he would go to court with me. I would have to open the file with \$1,000 because of the hours spent in court and following up on the papers. I am going back and forth. I do not even notice how long it takes me. I am going 24 hours a day. I have been before the court since November.

As well, I have a lady who is paying \$399 for an apartment. It is a beautiful, extra-large apartment facing the houses in Forest Hill. For the past five years, I have never received the rent on time. I had to give her notice. I tried everything; I give her 21 days and after 21 days, she pays. I finally took her to court.

When you take tenants to court, they start playing tricks on you; they cause damage. They will say something broke down, the stove broke down, and that is it. They get you, believe me. There is no law to protect us. There is no such thing.

In this case, she pulled a trick on me concerning the stove. She burned out the oven in the stove. She called me and I responded. I said, "I will see to it tomorrow." I had repaired it so many times. She said: "I will not let you repair it. I am going to call a serviceman and he will repair it." She would not let me even look at the damage. She has three locks. She changed the lock system, which is illegal, but you can do nothing about it. I cannot go up. Even if she is there, she will not let me go in.

She called an electrician when my superintendent, who is a handyman, would normally do the repair. He would do it on the spot. It would take him 20 minutes to change it. Parts cost \$19 or \$20. Usually I have them in stock in case something such as that happens. My people do not wait.

Of my tenants, 80 per cent or 85 per cent are good; I cannot cope with the remaining ones. I cannot satisfy 100 per cent. There is no such thing.

The next day she called. She deducted \$81 from her rent of \$399. It would cost me \$20 to change it, while the serviceman charged \$81. She deducted it from the rent. That is illegal. She sent me a cheque and wrote me a note that said: "Please be advised that I deducted it. I fixed it so I deducted it." She would not give me even 24 hours to fix it. Normally, I do those things in half an hour unless I have to order the parts, in which case I have to wait for a day.

Here is the cheque. I have a legal right and she had no right. I can go to court, but the time involved in the proceeding and filing the papers will cost more than \$81, believe me. I could go on and on.

12:10

I want to make it short. Rent review was six per cent. I am going to give you a round figure of \$300,000 income a year, more or less, just to use for calculation. The city tax is \$100,000; it is calculated at one third. I have very good relations with my tenants. I said: "I am going to have the assessment cut and have it kept it where it is." I went to the assessment department. I had an appeal in January. They said: "Go to rent review. Why do we have to reduce your assessment? Your rents are low. When you go to there, give your rents. They will see \$245. Use that. Those people are staying there

for nothing." I said, "Yes, but you see, I do not know what I can do." He said, "Go to rent review and double the rent."

Fine. I followed that. I went to rent review. What happened? I made an application for 20 per cent, but actually I did not want it. For some apartments I wanted 50 per cent or 20 per cent, but for some apartments the rent was already enough. I did not raise rents for two years because I knew they could not afford it. Landlords mostly know what their tenants can afford. Believe me, they are not bad; they just get bad publicity. If you say you are a landlord, automatically you are no good. "Oh, you are a landlady. You are no good."

I had to give notices for each one. I could not miss even those with high rents. In my situation, they are very high and very low. I have nothing in between. However, I had to give notices for everybody. I warned the tenants who were paying high rents, "I have to give you this." They said they could not afford it because their rents were already too high. I said: "Fine. When I get approval, we will talk about what you can afford."

Soon I gave notices to those that were to be increased 20 per cent. I will tell you what was happening, not only in my case but in every case. There is a building department with inspectors that has more authority than any of you; believe me. When these tenants call, and they have lots of calls from tenants, they have to respond to each and every complaint. They send you work orders and they give you 30 days. Not only that; after 30 days, if you have not done it and at the same time you want to sell or are renewing the mortgage, you will not get a letter of clearance from the building department and no company will give you a mortgage. I found out the situation two years ago. I am telling you the truth. I can prove everything I am saying. Two years ago my first mortgage expired.

The Vice-Chairman: Mrs. Cebry, we are going to have to adjourn in a couple of minutes to get back for one o'clock. Can I give you two minutes to summarize the main point you would like to make?

Mrs. Cebry: I will summarize. to end, I would like to say that now we have a situation where nobody is happy, whether it is with the present law or Bill 51. If the tenants are not happy and the landlords are not happy, why can we not drop everything? Let them solve their own problems. How can anyone settle my problems in my building? Tell me. Then say, "Okay, we wash our hands of it."

If you are not happy with any bill because any bill will not resolve the problem, then it should be fight your own battle. Good landlords and good tenants find common language. Bad tenants from my building who cannot find common language with me will go next door or five blocks down and the tenant who is five blocks from me will come to me. I will get tenants who are not getting along with another landlord. That way we can make everybody happy.

Landlords cannot charge more rent than people can afford. Most people now can afford, on average, \$500. That is about it if the average Canadian is making \$20,000 to \$25,000; I am not talking about \$35,000 or \$50,000 or whatever. How can I charge more than \$500 for one bedroom? People will not be able to afford to pay it.

Let us establish it according to the area and according to the situation. It does not matter how many hours you put in on the paragraphs of

Bill 51, it will not cover the problem. The problem is there and will stay there.

I have two choices because I am on the edge. I occasionally talk to Mr. Peters in the Ministry of Housing. Right now I am making the decision either to say in the business or, in my situation, not to stay because of the restriction. I have to offer my complex, my buildings to you people. I said to the Ministry of Housing, "Give me market value and I will pack my bags and go, as other people are doing."

I do not know which way the politicians will go. If they want to drive us out of the country, I will take my money and go someplace else. However, it is you people who will lose. I do not want to do it unless you force me to. In the case spoken about yesterday, the Swiss people, or as Mr. Fink said, the Hong Kong people own the buildings, but they are in Hong Kong and they do not know about this. They should not argue that point. It is because of press coverage. They have more money. They can afford it. Right now they offer me a good price. I will take the money and go to New York. I will tell you something. After 20 years in that building, I care about these people. I have have a 93-year-old--

The Vice-Chairman: Mrs. Cebry, we are going to have to--

Mrs. Cebry: Yes. I am sorry. I have here--

The Vice-Chairman: I believe you have made your point. We appreciate hearing from you and I am glad we were able to extend the opportunity to listen to you this morning. We will have to go. We have a very busy schedule this afternoon. The committee members will read what you had to say when they get Hansard and will take your points into consideration. Thank you very much.

Mrs. Cebry: Thank you for your time and for listening. I am here. I do not want to go. I want to stay in business. If you let me, I will stay. If you do not, my apartment complex will be offered to you.

The committee recessed at 12:17 p.m.

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

RESIDENTIAL RENT REGULATION ACT

FRIDAY, SEPTEMBER 5, 1986

Afternoon Sitting

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)

Bernier, L. (Kenora PC)

Cordiano, J. (Downsview L)

Epp, H. A. (Waterloo North L)

Knight, D. S. (Halton-Burlington L)

Pierce, F. J. (Rainy River PC)

Reville, D. (Riverdale NDP)

Smith, E. J. (London South L)

Stevenson, K. R. (Durham-York PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Substitutions:

Davis, W. C. (Scarborough Centre PC) for Mr. Bernier

Hennessy, M. (Fort William PC) for Mr. Stevenson

Offer, S. (Mississauga North L) for Mr. Epp

Clerk: Decker, T.

Staff:

Richmond, J. M., Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Housing:

Church, G., Assistant Deputy Minister, Corporate Resources and
Building Industry Development

Peters, F. H., Executive Director, Rent Review Division

Individual Presentations:

Amonsens, I., President, Ib Amonsens Real Estate Ltd.

Bugiel, O.

From the Zythum Financial Corp.:

Lago, J., Vice-President

From the Association of Canadian Real Estate Syndicators:

Nairne, M., Ontario Director

From Valiant Property Management:

Hann, R. P., President

O'Flynn, C., Vice-President

From the Multiple Dwelling Standards Association:

Schwartz, J., President

Individual Presentation:

Abdelmessih, A. H.

LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

Friday, September 5, 1986

The committee resumed at 1:19 p.m. in room 228.

RESIDENTIAL RENT REGULATION ACT
(continued)

Consideration of Bill 51, An Act to provide for the Regulation of Rents charged for Rental Units in Residential Complexes.

Mr. Chairman: This committee will come to order. We have a very full schedule this afternoon, and despite the fact that it is a Friday afternoon and members are used to being in their constituencies on Fridays, we are here and determined to hear the deputations. However, we should try to wrap it up by five o'clock because I know there are members who have planes to catch, so we must proceed.

Our first presentation is by Mr. Amonsens. The brief is before members of the committee. It comes in two parts. One has numbers on it; the other is words.

IB AMONSEN REAL ESTATE LTD.

Mr. Amonsens: As you pointed out, Mr. Chairman, my brief is in two parts. The second part is a copy of my submission to the Thom commission, and I will refer to it several times because some of it is applicable to what I will say today.

When you go over your guide to the proposed Residential Rent Regulation Act, the key to the new act is claimed to be "fairness and protection: fairness to landlords and protection for tenants." I will attempt to show that it is neither, based on my more than 20 years' experience as a real estate broker and owner of a small apartment building in Toronto.

The present system has created a distorted base for any rent formula calculated on percentage increases, especially for owners of older small apartment buildings who never went to a rent review hearing. By 1984, the rents for such buildings were about 27 per cent below what was needed to stay equal to the inflation rate. I am making available to the committee research calculations in support of this, which I previously submitted to the Thom commission.

On the first page, you can see that the study started in 1974 with a column headed, "Rent permitted under rent control legislation." We had no rent controls at the time. They came in in August 1975. At that time, if you use the inflation factor averaged for the 10-year period as published in the Toronto Star in October 1984, it was 9.1 per cent. If you say the landlord had used that in the period 1974-75, you come up with a \$109,100 income. We had the eight per cent and the six per cent during the next nine years, and we come up with a total percentage increase of 88 per cent. If the rent had been equal to the inflation factor, it should have been 139 per cent. Some people do not understand why apartment buildings have deteriorated, but the answer is right there.

In 1974, I warned the members of Toronto city council that pursuing the rent control issue could cost the city of Toronto 7,000 existing rental units if statistics from other major cities were applied. For example, I used statistics from London, England. A year and a half ago, the Toronto planning department reported that is exactly what has happened. A costly rent registry is now being proposed, and my prediction, believe it or not, for the loss of rental units in the city of Toronto alone, if that proposal becomes law, is a minimum of 25,000 illegal and legal apartments, predominantly in attics and basements, that now provide single low-income people, both young and old, with cheap housing.

Why will that happen? As was pointed out to the Thom commission, whereas 85 per cent of the owners of buildings with seven or more apartments--and they are exactly the ones you want to get on the rent registry now--are complying more or less with the existing rent control legislation, it was exactly the opposite for buildings with six or fewer apartments, as pointed out by the landlord self-help centre at the Thom commission. It was especially bad for people who had houses with one or two flats, many of whom completely ignored the system the politicians had created.

On top of that, in many cases the rental income for that type of accommodation has never been reported for income tax purposes. A rent registry can have serious consequences for these owners who will resort to evicting their tenants and leave their apartments empty rather than face possible back taxes and other penalties they could be subject to. Their low-income tenants are the ones to be most affected by a rent registry which, according to the new Constitution, will have to be applied equally to all apartments, whether they be in sixplexes, seven-suite buildings or larger buildings.

A rent registry may be bureaucratically correct for Gardner Church but, in practice, it is likely to precipitate a disastrous housing crisis for low-income earners, pensioners and students. It can also be political dynamite at the next provincial election when about 400,000 small landlords in Ontario realize what the proposed rent regulation act can mean to them and what fines they are likely to incur. I stress here very strongly to the committee that I am not talking through my hat. I can take you around blocks in this city where older couples have already left their apartments vacant, and this is going to get much worse if you put in a rent registry.

Currently, they say they do not want the hassle under rent review and the Landlord and Tenant Act. There are too many rumours from neighbours that they had a bad tenant who cost them a couple of thousand dollars, they could not get rid of him and all that. With a rent registry it is going to get much worse. I know that in my own neighbourhood all I had to do was walk around a couple of blocks, and I could count probably 10 apartments that were vacant.

The proposed rent review formula is based on a typical landlord's operating costs--I do not know what a typical landlord is--to protect tenants during times of high inflation while encouraging better building maintenance. What is a typical apartment owner? There are wide differences between a building dating from 1910 and one dating from 1960, or between a building with large suites and one with small suites. What about a particular owner's recent building repair cost increases of 25 to 50 per cent when only a four per cent increase was permitted?

A standard formula as proposed, which provides no real incentive to improve existing apartments, especially for owners of small apartment buildings, or to refurbish suites one by one, as can be done at present--and I have been doing that myself--can only cause further deterioration of our

apartment stock. The compounding effect five or 10 years down the road, when you start from a distorted base approximately 30 per cent below the rate of inflation, means that the apartment owner's gross income then might be 40 per cent below the rate of inflation, because there is no form of easily approved catch-up provision.

That is the compounding effect. When you start on a bad base, it gets worse and worse. You must realize it is the same in mathematics. The proposed two per cent increment for the apartment owner with chronically depressed rents is absurd and has nothing to do with fair treatment. I will go into that in a minute. At present, you can have two identical apartment buildings, with the rents twice as high in one as in the other, just because one of them has changed owners several times during the past 10 years and has big mortgages.

I will give you an example of my neighbour. The building is 1914 Bloor Street West. The family bought it in 1927. Two and a half years ago, the rent review system squeezed them out. It is very simple. As the son said to me: "This building was bought to provide an old age pension for my mother. We have now come to the situation where our costs and revenues are practically equal. I had to go and tell my mother, 'There is not going to be any money besides your old age pension for you very soon.'"

About \$15,000 of repairs had to be done in that building, such as a new roof and some plaster work. He went and inquired of the Residential Tenancy Commission and, as Commissioner Williams has said repeatedly, contrary to what Mr. Church said to you the other day, when you have no mortgage on a building, and they had not had one since the 1940s, then you have no costs that amount to anything in the eyes of the existing law.

He said to the commission: "All right. I have this situation. My costs and revenues are about the same, and I have \$15,000 worth of repairs. Are you able to give me an increase above six per cent?" The reply was: "No. As a matter of fact, if you come, we are going to give you less than six per cent, because you have no expenditures." He asked, "How am I going to be able to do my repairs?" and was told, "Get a loan from a bank and we will see what we can do for you when you come back."

You know what would have happened if he had come back the next day with a \$15,000 loan against the building? Nothing, because he would not have had sufficient debts to generate any increase above the permitted increase. He would have been in worse shape than he was in before. He said to me: "I have no choice. Why should I, for the sake of my tenants, bust my ass"--to put it in plain English--"for their benefit and get nothing out of it except some liabilities against my building? It really is not much worse." So he sold.

13:30

I knew all about it. Every tenant got out of there. They renovated and the rents now are probably two and one half times what they were before. Who benefited from that? Certainly not the tenants. Some of them were prepared to pay \$25 or \$50 more a month just to stay there and still have reasonable rent, but the system did not permit them to do it. This is what we are seeing again. Do you want the system to continue in the same way, to put people who have served tenants for years out of business? A two per cent increase is a joke when the man is already 27 or 30 per cent behind.

A fairer solution would be to set new rents for older buildings, as proposed for new rental housing, based on the market value assessment evaluation for real estate taxation purposes, as a base on which to calculate

a reasonable return on the equity. If the evaluation was such that a man paid too much for a building, tough luck, Charlie. However, if he comes with a fair valuation for it for taxation purposes, the man can challenge it and use it as a base to calculate how much he should have in return. Sure, there will be tenants who will be hurt, but it is not up to private enterprise, in my view or in the view of most people, to support tenants at their expense. Landlords are taxpayers too. It is the duty of everyone concerned, all citizens, to pay, not landlords alone.

Fifteen years ago, I stated publicly that city council should try to get into direct subsidies for tenants. That an apartment owner should subsidize the fancy lifestyle of a \$50,000-plus per year income earner when he or she can scarcely make ends meet with \$500,000 or more equity in an apartment building is beyond reason.

That is my own situation. As I said to the Thom commission: "You are welcome to see my income tax forms for the last 10 years. You are welcome to see my books, as all my tenants have been invited to do repeatedly." They can afford to drive Corvettes; one tenant went through two in the last two years. Another drives a BMW. There a couple of other cars in that neighbourhood and price range. Out of 14 tenants, I probably drive the oldest and cheapest car of anyone. I have an equity of about \$500,000 and I can hardly afford to repair my building any more, because I have no mortgage on it, just a small one. Does that make sense? Some of them make \$100,000 a year.

No provisions are made for apartment buildings which municipalities want to retain as historically worth preserving, but with operating and maintenance costs perhaps double the typical apartment building formula, without going through complicated reviews. I happen to be in a situation where the city of Toronto wants to freeze the present development because the city feels it would be appropriate to keep the landscape. For me to rebuild a balcony with a roof and everything, I am talking about \$10,000. It is not like buildings built in 1955 or 1960 with a steel and concrete balcony you can repair for a couple of thousand dollars.

No provisions are made to tie the interest rate on the last month's rent deposit to the yearly permitted rent increases, which is important for ease of bookkeeping for owners of small apartment buildings. I highly recommend you try to do something about that because it would certainly simplify it.

No provisions are made for security deposits against damages. I suggest you tell the landlord to deposit that in a government account. I do not care how you do it, but something has to be done to stop the tremendous increase in vandalism, neglect and filth left by many vacating tenants, because our courts are not set up to deal with that in an expeditious manner.

I had one situation where a tenant, although he was a senior executive whom you would not expect to do such things--I gave up when I counted 350 nail holes and I had to replace part of the ceiling and the kitchen walls because of his damages. My lawyer told me, "I do not know if it would be worth while to go to court over it." That is the court system a landlord has to deal with today.

In summary, the bill falls short in the following ways:

Completely inadequate catch-up provisions for apartment owners of long standing with chronically depressed rents, leading to further deterioration of our existing apartments.

Inadequate provisions for easily increased rents to pay for improvements such as refurbishing apartments in small buildings one by one, as is possible at present. That is a matter of knowing what is going on in the market and what you have to do. I figure you have to refurbish an apartment every 12 to 15 years. You have to go through a major repair job, and it has to be done. Most of the small landlords have to do it on a one-by-one basis. The new law, from what I can understand of it, does not make any provisions to help the landlord to do that. In the end, this will mean he will not do it.

Every effort should be made to retain and expand the supply of small reasonably priced apartments in converted houses, even if it might mean abandoning the rent registry as it is proposed. If you can find another way to try to control the illegal rents you are concerned about, try it, but not this way. That is my recommendation. Those units are desperately needed, and the proposed bill will have a very discouraging effect.

Rent controls on housing units renting for more than \$750 monthly primarily benefit the well-to-do and should be abandoned to encourage new construction. I am familiar with what is going on in the market. When you have a small landlord who has perhaps 10 applications for an apartment--it has nothing to do with discrimination or anything--he will look at them taking his own self-interest into consideration.

One is a family that earns \$25,000 or \$30,000 a year, there are a couple who make \$20,000, some are in between and some are making \$45,000, \$50,000 or \$60,000. When he checks their credit rating and so forth, there is a great temptation to choose the high-income earner with no family. You have the least amount of maintenance and repairs. Do you know what the result is? Those for whom you have created this whole system of rent controls are left on the street because we now have such a shortage. The families and the poor are left on the streets, and the system is created for the benefit of the rich. Congratulations.

No consideration is given to interest adjustments on the last month's rent deposit, making it equal to permitted rent increases.

No consideration is given to discouraging growing vandalism and neglect by tenants.

The bill clearly reflects the viewpoints of its authors, such as some tenant representatives disowned by other tenant organizations for their radical views and some developer-landlords who were practically the only representatives on behalf of the landlords. It is the feeling of many landlords of pre-1975 buildings that what is proposed is worse than the existing legislation and can cause only greater shortages and deterioration of apartments in Ontario, contrary to what we really need at this time.

A potentially viable alternative is the rent control system in Quebec. I am not familiar with the details of the rent control system in Quebec, but I know some aspects of it. It is possible to make voluntary agreements between tenants and landlords and things such as that.

I understand that Jan Schwartz will be here later on behalf of the Multiple Dwelling Standards Association, and I think you should ask some questions in relation to that system. From what I understand, it is very cheap to operate--that is for one thing--and it does not create the problems that the existing system has created in the past or that the one you proposing is likely to create.

I do not know whether you want to know anything about the background of some of the people from the tenants' associations. If you want to raise questions about that, I do not mind telling you some of the facts about it. Anyone who knows the situation can quite easily say that they do not care about the tenants; they care only about the elimination of the private landlords, and attempts to manipulate them are a means to reach that goal. That is reflected in the proposed bill.

Mr. Chairman: Thank you, Mr. Amonsens. I gather you do not think the current bill will resolve the problem.

Mr. Amonsens: Absolutely not.

Mr. Pierce: Mr. Amonsens, just prior to lunch a submission was made by a group of landlords from Orillia. I asked whether Bill 51 would encourage them to add to their portfolio of rental accommodations, and the response was yes.

13:40

Mr. Amonsens: As a real estate broker, I am sorry that I advise all my clients to stay out of it.

Mr. Pierce: In fairness to the previous group, they also said they could not live with what they had currently but that Bill 51 gave them an opportunity to see some light at the end of the tunnel. Although it was not the best, it was better than nothing, which they had before.

Mr. Amonsens: I do not think they understand the bill. I am sorry to say that. I have been at this for a long time, sir.

Mr. Pierce: Of course, some of that group have been at it for a long time too. Do you make your income from rental accommodations?

Mr. Amonsens: At present I have to do all my repairs myself, so I am pretty well limited to that, yes. I cannot afford to hire someone to do the work.

Mr. Pierce: And you have how many units?

Mr. Amonsens: I have 14 and I live in one of them myself.

Mr. Pierce: You have indicated that if you were to walk around the block in your neighbourhood, you could find a number of empty units that the owners have indicated to you they would not make available for rent again.

Mr. Amonsens: That is right.

Mr. Pierce: Are you proposing to do the same thing with your units?

Mr. Amonsens: What I am talking about are basically converted houses that used to have flats and basement apartments. A small suite in our building has 750 square feet to 775 square feet, and we have suites of as much as 1,100 square feet of gross floor area. That is a different story.

Mr. Pierce: What kind of rents do you get for your accommodations?

Mr. Amonsens: They vary from around \$550 to \$880.

Mr. Pierce: So you would be middle class to high class?

Mr. Amonsen: Absolutely. We have vice-presidents from banks and sales managers from some of the leading companies as our tenants.

Mr. Pierce: Have you had suggestions from your tenants that they would be prepared to pay more to keep the accommodations up to a higher standard?

Mr. Amonsen: Absolutely, no problem.

Mr. Pierce: But the bill does not give you that right.

Mr. Amonsen: That is right.

Mr. Pierce: That would be an illegal act.

Mr. Amonsen: That is right.

Mr. Pierce: One that you would not pursue. You do not have to answer that.

Mr. Amonsen: I will put it this way: I have been to rent review three times and I have been through the appeal twice, so you can check out how I have complied up to now. Two and a half years ago I was very close to selling the building, because at that time the financial situation was such that I had to support it with \$1,000 per month. You cannot do that very long.

Mr. Pierce: You indicate in your brief that there may be some encouragement for people to act beyond the law in renting apartments or accommodation because of the requirements that the act forces landlords and tenants to comply with.

Mr. Amonsen: I would say so. You can probably say that. When it comes to a situation in which you have only two or three suites, it is very easy for people to make their own private deals. I know they have been made in the past; there is no question about it. When you live in a converted house and you have only one suite, it is done all the time. That is a fact of life. When you start to put a rent registry in that situation, it is a different story.

Believe it or not, I know people today who will not rent a garage to you unless you pay cash--no receipts, nothing. It has come to that. Why? Because they do not want to get involved in the capital gains tax and all the other stuff. The same thing happens with smaller flats, attics and basement apartments. That is a fact of life.

If you do not deal normally in the bureaucratic way you do not know it, but those of us who have to deal in the marketplace know what is going on. When you go and inspect a house, you know what is going on. They have a small apartment in the basement. No one knows about it. There is a person who is quite content and happy. It might be a student at the University of Toronto, a single young girl, an old person or anyone. They are content and happy. They have an apartment and privacy for less than \$300 per month. If you start to put a rent registry on that, I know exactly what will happen. That person will be on the street. I am really concerned about those people, because I do not know where you are going to put them. A tremendous crisis will develop.

Mr. Hennessy: You mention that you are not happy with the bill; you

do not think it does anything. Can you give me some reasons you think it is not good and what you would recommend?

Mr. Amonsen: The problem, as I mentioned, is that if you start on the wrong base and if you calculate percentages on the wrong base, you are behind for ever. I went through it myself. I was (inaudible) number 14 once I went to the rent review process, for two reasons. I had long leases and they expired just when rent controls came in in 1975. I also was interested for a while; I wanted to know how the process worked. I went through it. What came out of it was horrendous.

The rent review officer made a mistake. He said I could not change anything, because I had already made my decision with regard to my tenants. He told me to go to the appeal board and explain what had happened. I did. It upheld his mistakes.

I then went to the Ombudsman. Bless Arthur Maloney; he was behind me all the way. He even got the rent review people to agree to pay my court costs, according to a letter I got by special delivery. A week later I got another letter from him apologizing. They backed out of it because they did not have funds to pay my court costs. It was obvious they had made a mistake, and it was obvious that if I went to the Supreme Court I would win the case hands down.

As I said at the Thom commission, when you are in a situation such as that--and this is in answer to your question--you are standing there waiting. This was supposed to be a temporary act. Is it worth it for me to take Supreme Court action to get a few hundred dollars? Without any doubt it would have cost me \$2,000. They might pay some, but in the end I would be out \$2,000 plus my time and effort. When the ministry called and asked me when I was going to sue, I said: "I am not absolutely stupid. It is not worth it for me to spend \$2,000 to gain a few hundred dollars a year."

Since this thing has continued for 10 years, it would have been better for me then to have gone and taken the action. My base got distorted and it was distorted at the next rent review hearing and at the rent review hearing after that because you get increases only by a percentage based on your base. That is the whole problem with it. If you start with a wrong base and you continue with percentage increases such as that, you will always be behind.

Mr. Hennessy: What would you recommend?

Mr. Amonsen: As I said earlier, if you take an apartment building and go to market value assessment for taxation purposes, what is more fair, given a valuation on the building from the provincial assessor? Say it is a \$1-million building. Would it not be fair to say that the landlord should be able to get a return equal to Canada savings bonds or something such as that? They should say, "This is the return you should be able to get, and it is up to you about your costs." You have an incentive to keep the costs in line.

I am not asking for a percentage that is more than you offer to the developers. Give him a return so he can make some money. There is no point in a man retaining a building when he has no return on his money. The owner next door to me sold his building for \$350,000. She went and bought Canada savings bonds, and all of a sudden she is getting money again and has no headaches. Who wants to stay in the business when you make nothing on your invested capital? You ought to set up a system such as that to be able to do it and to expect landlords to continue.

Mr. Hennessy: Do you not think you are gambling to some extent when you say you are going to go by the return on Canada savings bonds? Let us say the Canada savings bond return goes way down to four per cent.

Mr. Amonsen: That seems to be what the market is prepared to give you for your invested capital. I am prepared to take my lumps. I prefer free enterprise. If some of us go under, that is part of being in private business. There are a lot of people out there who should not be in the apartment business. I would love to see you get them out of business, because they do not look after their buildings and they charge exorbitant rents for what they have. The only reason they can do it is the shortage of apartments. If we had a four or five per cent vacancy rate, nobody would live in those buildings and they would be out.

Mr. Chairman: If there are no other questions, Mr. Amonsen, thank you for appearing before the committee.

13:50

The next presentation is by Ms. Bugiel. Her brief is being distributed right now. Welcome to the committee. I encourage you to go ahead.

MS. OLGA BUGIEL

Ms. Bugiel: As the chairman has already told you, my name is Olga Bugiel. My family's property consists primarily of an 18-unit building that we have owned since 1968. I consider myself a typical small landlord.

My opening remarks consist of hope that my remarks will be carefully considered. It is my utmost wish that you have not already formulated your conclusions on this issue, which is of crucial importance to me and to all small landlords, and that this is not just an obligatory exercise on your part as a means of appeasing any fallout from residential rental owners at not being heard. There have been too many such instances in the past, examples being the Thom inquiry, various meetings and letters to ministers and governments responsible for rent review legislation at different times. Again, I reiterate that my hopes will be fulfilled, at least on this occasion.

I will tell you a little about my family history. I am a second-generation residential rental owner. My late father came to this country from Europe in 1928. He came to Canada with change in his pocket and dreams of a better life, better than what he left behind. What awaited him here was the Great Depression. For 10 years he rode the rails with thousands of men, but he survived. Over the years he had many jobs for little pay. It took him roughly 20 years before he purchased his first piece of real estate. It took him that long to save the money.

During the next 20 years he bought and sold other properties and ran a few small businesses along the way. On his death in 1980 he was the owner of two buildings--one 18-unit building and one 47-unit building--hardly an empire. My mother, my younger brother and I were left with the burden of managing the massive headaches of these rental units. Because my mother was in poor health and my brother was in school, the duty of looking after the 47-unit building was to be mine at 23 years of age. We could not afford a superintendent.

I feel persecuted as a small landlord. I believe the reason for this persecution is my lack of political power. There are more tenant voters than

landlord voters. As a group, many small landlords are either elderly or immigrants, thus limiting their political power. In short, we make an easy political target. We are used as an easy way to score electoral points with the great majority of our society, the middle class.

In Canada there has been a long tradition of social assistance programs based on universality or need. Rent controls are based on neither, but discriminate against and persecute a visible and relatively powerless section of society perceived to be rich: the landlords. The needy in society should be assisted by society as a whole and not by a visible minority with a low level of political power.

You may ask what massive headaches we have in dealing with our building. Landlords are rich fat cats by public definition. They just sit back, collect the rent, drive Mercedes cars, wear expensive furs and jewellery and spend most of their time sipping fine wine on the French Riviera. Right?

Wrong. I personally have tarred the roof on one building, done the gardening, made repairs and, on more than one occasion, been knee-deep in sewage when the sewers backed up after a heavy rain. I am on call 24 hours a day, seven days a week. It is not an easy life.

It seems that many people feel that the life of a small landlord consists mainly of collecting the rents and pocketing the profits, with no real work attached to the job. This could not be further from the truth. The problems, difficulties and bureaucracy that small owners face and have faced are not unlike trying to bail out a sinking ocean liner with a pail. At every turn there is a new obstacle. Just when you think you have reached the top of the mountain, there is an even bigger one to climb. We are on a treadmill going nowhere.

I would like to relate some personal experiences to you regarding the obstacles we have faced. When my late father bought the 47-unit building in 1977, it was in a sorry state of repair. The rents at that time could not carry the financing and pay the bills. He, however, had faith in the system that he would be treated fairly by rent controls. He believed they were a temporary measure. He was sorely disappointed.

We lost \$44,000 in the first year of ownership and did not see a break-even point until 1982. Year after arduous year, I went in supplication to the Residential Tenancy Commission. Year after year, I suffered the anger and hostility of my tenants for doing nothing more than exercising my legal rights under the law by applying for a rent increase.

I personally lived in the building alone, while my mother and brother lived in the 18-unit building, and saw pleasant, good people turned into a greedy mob. The building was vandalized on numerous occasions by the more unstable tenants, while the others looked on. Fires were set, and obscenities regarding myself were scrawled over walls. Vexatious complaints were made to any authority that the tenants thought might be able to aggravate me. Obscene phone calls were made to me late at night. Rocks were thrown through windows of, luckily, an empty apartment. Again, all this as a direct result of applying to rent review.

A former MPP tried everything in his power to humiliate me and cause me to react in a self-destructive manner. He was instrumental in trying to force confrontations. He accused me of fraud and anything else he could think of, all because I was exercising my legal rights. He had no basis for these

accusations. I found it very confusing, after he was defeated in an election, that he did not attend our last rent review hearing. The opportunity for votes was no longer there. His motive of political opportunism was thus revealed.

Miraculously, once I stopped going to rent review, all the abovementioned incidences disappeared. My tenants more or less returned to being nice, agreeable people. We greatly improved the condition of the building, changing it from an eyesore to a respectable, if modest, apartment building, much of which was done through my own labours. My thanks for improving the rental stock in Ontario amounted to a slap in the face.

We sold that building in 1985 for numerous reasons. I, in particular, was burned out. I could no longer cope with the constant barrage of requests from tenants, many of which were frivolous, at all hours of the day or night. I was tired of spending nights without sleep nursing equipment that had broken down. I was tired of being both listening post and whipping boy to my tenants' moods. In short, I was fed up with a thankless job for little pay and no hope of improvement.

I was also greatly distressed by legislation that was being proposed. I did not know what the future might bring. I only knew it would not be good. In the past, legislation was drafted and passed without much thought. Each time the government tinkered, we lost. The government in power at any particular time has demonstrated a propensity for regressive, retroactive legislation. I thought once we sold, our problems would be over. How wrong I was. Rent Recovery Service was waiting in the wings to pounce.

In the spring of this year, they canvassed our former building and alleged that we had been charging excessive, illegal rents. They canvassed several times and accused us of colluding with the new owner, of maliciously setting about to overcharge, etc. They accused us of fraud and told our tenants we would be criminally charged.

Their allegations were totally without foundation, of course. An interesting development was that those who wanted a rebate were tenants who lived in the building the years I had been going to rent review and who had copies of orders and notices of rent increase in accordance with the prevailing guideline. This is yet another legacy of controls: vindictiveness and unfounded hatred of landlords, all of which is motivated by greed and seems to be a natural outcome of government policies.

As an owner of a pre-1976 building, I do not feel I have been given a fair rate of compensation or return commensurate with the time and aggravation associated with the properties. Once again in the proposed legislation I, as an owner of pre-1976 buildings, will be overlooked in the area of rate of return and will be discriminated against.

There is no fairness or equality in Bill 51. Our country values these qualities very highly, yet there is a significant distinction drawn between pre-1976 and post-1976 buildings. Most post-1976 buildings are owned by large landlords and/or developers who are highly organized and have political clout. The typical small landlord who owns pre-1976 buildings is not in this position. As usual, we have been trampled on again.

14:00

The goals of housing legislation should be adequate housing and assistance to those who are needy on a needs basis. The history of rent

control legislation is that neither objective has been met. The rational conclusion is that legislation designed on present legislation or any variant of it will never accomplish these goals.

It seems that the intent of the legislation is the preservation of affordable housing. Affordable for whom? Affordable is a relative term. What one person can afford, another may not. If it is the intent of the legislation to assist the needy, the government might as well close down this hearing. This piece of legislation or any similar legislation will not help the needy. You can spend the rest of your lives and millions of dollars drafting and redrafting rent control legislation. The outcome will be the same. The middle-class consumer who does not have an affordability problem will reap the monetary benefits of controls while the owner and needy tenants suffer.

On the issue of the rent registry, I am opposed to it in principle. Even though I have not charged illegal rents, I have great sympathy for those who were forced into the situation. I cannot, in all conscience, condemn anyone who did so as a means of survival. You must remember many of these offenders were put into a corner for whatever reason. I am sure you would not want to see them lose everything they worked so hard to achieve. Try to put yourselves in their shoes. You would not want to lose something you worked for all your lives.

I also take great exception to the impression that landlords are cheaters. If they were not, why would you need a registry? Tenants are certainly not perceived that way. At the mention of a tenant registry, hysteria breaks loose. We cannot infringe on their rights and privacy, but it is no holds barred when it comes to the landlords. There is no attempt at equity here. I find it incomprehensible that this bill would hold responsible a new owner for overcharges made by a previous owner.

The section with respect to chronically depressed rents would be comical were it not so insensitive to the plight of those with such buildings. The very stringent qualifiers and the two per cent increase that may be allowed make it hardly worth the effort to apply. This section may have been drafted with good intentions, but it will not alleviate the problem of chronically depressed rents.

This bill suggests that "tenant consultation with regard to general maintenance and projected capital expenditures" will lead to a higher standard of maintenance. Do you honestly feel this will bring about a higher standard? I can assure you it will not. It will only create more bickering and animosity between both parties. More important, it will take away the freedom to manage your own property as your financial situation and maintenance requirements dictate. Are we expected to consult our tenants when a light bulb needs changing? We might as well sign our properties away to the tenants. They have the benefits of ownership with none of the long-term responsibility.

I do not purport to understand fully the residential complex cost index formula; however, I understand it well enough to know that we will be lagging behind as always. During times of high inflation, we will not catch up and during times of low inflation, we will still be behind, where we have always been. The RCCI does not reflect the typical cost of goods a landlord must purchase.

I cannot tell you how thrilled I am at the prospect of the maintenance militia being formed by way of the Residential Rental Standards Board. I can just see the vexatious complaints pouring in at the time of a hearing. To add

insult to injury, one will not be allowed to make an application if one has not complied with this board.

It is both illogical and grossly unfair to prevent someone from making an application who needs the increase to comply with the board. Where do you suggest a landlord acquire the funds if he did not have them in the first place? I believe it is sufficient that each municipality has a building code department that enforces the code. It also seems to be a duplication of service and a gross waste of taxpayers' money.

A further complication in the process is costs no longer borne with respect to capital expenditures. When there is more than one owner over time, how do you expect to keep track of what was spent and where?

In short, I find this bill a mire of complicated formulae, unreasonable penalties and a bureaucratic nightmare.

Conclusions: Have you ever asked yourself why landlords have tried every avenue at their disposal to be exempted from controls through renovations, demolitions, sales and breach of guidelines? Desperate measures are taken as a direct result of these draconian laws. All three provincial parties are equally responsible for driving landlords to take radical measures, which under normal circumstances they would not take.

In the final analysis, those you all work so strenuously to protect, tenants, are hurt the most. Tenants have little choice about where they can live; there are no vacancies. Those in need are still in need and will continue to be under the proposed legislation. Residential rental property owners should not bear the burden and responsibility of subsidizing all rental accommodation in this province. It is a job all of society must do as a whole, including tenants.

Remember, we are not bricks and mortar, nor are we figures on a financial statement. We are people. We have families, we get sick, we eat, we sleep, we cry. We are human beings, and these laws, past, present and proposed, are ruining our lives and have made us second-class citizens.

My recommendations: The most sensible solution would be to lift controls and replace them with subsidies based on need. This would require politicians with vision, dedication and strength, who would attack the problem head on and assist those truly in need. As this cannot be achieved overnight, the following should be considered.

It would be helpful for both parties to eliminate the adversarial atmosphere between landlords and tenants. Outside instigation, frivolous demands and vexatious complaints should not be tolerated from either group. Agreements between both parties should be allowed. For too long, tenant advocates have purported that tenants cannot look after themselves. I give tenants more credit as to their capabilities than that. If tenants can negotiate the purchase of a house or car and cope with other aspects of our complex society, they can negotiate an equitable rent on an individual basis with their landlords.

I favour an upward adjustment of the statutory increase. This will eliminate the cost to both the landlord and the province of a rent review hearing. Allow an upward adjustment for maintenance on buildings over 15 years old; these buildings require more frequent regular maintenance. Eliminate costs no longer borne. Revise the residential complex cost index formula to

reflect an owner's cost more truthfully. Revise the qualifiers for chronically depressed rents to reflect the intent of the section more adequately. Eliminate the five per cent ceiling on new financing. Reintroduce equalization.

These measures will allow owners some breathing room, which will encourage rather than discourage the ownership of rental buildings. Remove both the rent registry and the Residential Rental Standards Board. There is no need for either. Not only are they both further infringements on freedom to conduct business, but also they are a further waste of tax dollars which could be used to build housing.

Politicians should not use rent review hearings as a theatre in their bid for votes. I acknowledge that it is part of a member's job to assist his constituents. However, I have never known an MPF to represent a landlord at a hearing. I suppose there is a double standard when it comes to representation by your MPP if you are a landlord.

I would also like to address an issue that is not directly related to Bill 51; however, I feel it is pertinent to the issue of controls. I must comment on those who hold themselves out as tenant advocates. I am greatly distressed that these small groups are determining the housing policy of this province.

I have heard that Michael Melling regards adversity between landlords and tenants to be a must. This only reinforces my belief that tenant advocates are not representative of tenants in the Metro area. I often wonder why, if it has such broad-based support, the Federation of Metro Tenants' Associations has had such a difficult time acquiring municipal funding for the group. One would reasonably assume that with this ground swell of support, it could easily acquire funding from the hundreds of thousands of tenants in the Metro area, even at a modest \$2 fee per tenant. I also have asked myself why the High Park Tenants' Association is contemplating suing the federation. So much for tenant solidarity.

14:10

It is my belief that tenant advocates have orchestrated the so-called tenant unrest that politicians are fearful of. They parade a few tenants in front of the public, and everyone believes there are thousands waiting in the wings to rise up in electoral revolt.

It has been my experience that tenants organize only during applications for rent review. They do not spend every waking moment thinking about housing issues, as tenant advocates would have you believe. The majority, I am sure, frankly could not care less. The public has been duped.

Thank you very much for this opportunity to speak to you today.

Mr. Chairman: Thank you, Ms. Bugiel. You leave no doubt as to how you feel about rent review and controls.

Ms. Bugiel: I think I have made my position pretty clear.

Mr. Chairman: You have made your position very clear. Are there any comments or questions from members of the committee? You have made it so clear that there are no questions or comments. Oh, I am sorry; Mr. Pierce.

Mr. Pierce: Ms. Bugiel, I want to give you my congratulations on a

brief well presented. You have given us some insight into what we would consider to be, maybe in lots of cases, the average landlord across Ontario, not necessarily the landlord who controls 11,000 or 12,000 units or 1,200 units, but the landlord out there who is trying to provide housing accommodations for people who so desperately need it. You have given us an opportunity to have some insight into what is happening in the providing of those accommodations for people throughout this province. Thank you.

Ms. Bugiel: Thank you.

Mr. Chairman: Ms. Bugiel, thank you very much for your appearance before the committee.

The next presentation is by the Zythum Financial Corp., and you are--

Mr. Lago: John Lago.

Mr. Chairman: Mr. Lago. This brief has been distributed to members.

ZYTHUM FINANCIAL CORP.

Mr. Lago: I will be a little briefer than the individual who spoke previously.

I am a vice-president with Zythum Financial Corp., which I am representing here today. Zythum, together with an associated company, Realstar Management, owns and manages approximately 4,600 apartment suites throughout Ontario. We are also a member of the Fair Rental Policy Organization of Ontario. The issues I would like to cover briefly with you today fall into three categories: philosophic, technical and new construction.

First, on the philosophic side, our industry has been misled a number of times since the inception of rent review. Initially, rent review was to be a two-year temporary measure to assist in controlling prices and wages during an international short-term economic crisis. As you are aware, buildings built after 1976 were never to be legislated. The Residential Complexes Financing Costs Restraint Act was to be a temporary measure, and residential units with monthly rents in excess of \$750 were to be free of rent controls.

On the basis of the government's promise to exempt buildings built after 1976, we went ahead and built. We kept our part of the bargain, but now you want to change yours. It is wrong. Everybody knows it, but this government seems bent on going ahead. If you are interested in restoring our industry's confidence both to rehabilitate existing buildings and build new buildings, you must ensure that the rules are not changed in midstream.

We are very proud of our buildings. We care about our tenants, and we want to be allowed to operate without unreasonable intervention in our business. We have a significant interest in our properties, and we would do anything to ensure that our investments are not jeopardized.

We do not see the need to legislate the day-to-day operations. If we appear sensitive at times, it is because we are. We are tired of being made the fall guy for the tenants. To our knowledge, no one has yet been able to show that landlords of post-1976 buildings have gouged the tenants. It is important that you ask yourself, "Why are we breaking faith with the developers and bringing these buildings under rent control?"

My second issue is technical. In our view, the length of time it has taken to pass this legislation is unreasonable, as is making it retroactive to August 1, 1985, for post-1976 buildings. It will create an administrative nightmare and take many man-years for our industry to implement. You have to appreciate what would be involved should the bill be passed. In addition, as landlords, we feel more time should be given for us to familiarize ourselves with the new program dealing with the rent registry. We encourage you to develop the necessary material to educate everyone properly.

The third issue I would like to address deals with new construction. We currently have land in the Niagara Peninsula which is zoned and ready to go. The plans are finalized, and we could take out our permits in a matter of days. Fortunately for us, the land is fully paid for, and we are under no pressure to build. Until rent controls are slackened sufficiently to allow market or close-to-market rents to be charged, we will not take the risk of building.

The existing subsidy programs are much too restricting. We would not use them to make an income project artificially economic because we know there is a day of reckoning when all these subsidies have to be repaid. For the time being we are investing outside Ontario. This is our home and we do not like to do it, but until the atmosphere improves we have no choice.

On the personal side of things, I would also like to reflect my view as an investor. I have invested in apartment building projects over the past several years. These investments were made on a long-term basis, and I accepted low returns in the initial years, believing that as the years went by the returns would reach satisfactory levels. Now that these properties are beginning to mature, the government is in the process of taking steps to see that much of the future growth, let alone any recovery from the early years, is being taken away. These properties were bought with the belief they would remain exempt from rent control. I feel your impending decision to break the previous government's promise to maintain this exemption is wrong. It is difficult enough to invest and plan for the future without trying to second-guess the government. I am asking you to consider a fairer deal for everyone--the tenants, the landlords and investors like me.

Mr. Gordon: Mr. Lago, you indicated you are an investor. The Minister of Housing (Mr. Curling) has indicated Bill 51 is set out in such a way that it will encourage individuals such as yourself to reinvest in Ontario and to build properties such as new apartments. Will Bill 51 encourage you to do that?

Mr. Lago: No.

Mr. Reville: In terms of your project prospectus for the land you have zoned and ready to go in the Niagara Peninsula, at what price would you have to rent your units for the project to be viable for you?

Mr. Lago: Between \$500 and \$700.

Mr. Reville: That would be for a one-bedroom, I guess.

Mr. Lago: It would be a combination of one-bedroom and two-bedroom apartments.

Mr. Reville: How would that compare with the current market in the area? I am not from that area, so I am not sure.

Mr. Lago: We have some existing buildings in the Niagara Peninsula and the rents vary, depending on the location, the type and quality of the building.

Mr. Reville: Do you see a market for a building of \$500 to \$700 units?

Mr. Lago: Yes.

Mr. Reville: Your concern is not whether you could get tenants?

Mr. Lago: No. We are looking at our return, our bottom line. We work hard for our money. We try to get a return on it.

14:20

Mr. Davis: What would be a fair return?

Mr. Lago: I do not think I could really answer that question here.

Mr. Davis: The minister says it is the Canada bond plus one which is about 10 per cent at present. If the Canada bond changes next year to only seven, and they decide to build next year, then it would be seven plus one.

Mr. Lago: If you could get a fixed mortgage for one year, it would be fine.

Mr. Chairman: Mr. Lago, thank you very much for your appearance before the committee. I am sorry, Mr. Hennessy, I apologize. It is my fault.

Mr. Davis: He only asked one today.

Mr. Lago: He asked one earlier.

Mr. Hennessy: I am just really curious and you are the one gentleman who can possibly answer the question--I do not know, maybe it is academic. I notice now that of all the apartments going up around here, every one is a condominium. That deprives the average person who does not have that kind of dough. What is the reason the developer wants to build a condominium instead of an apartment? Over the years, could you not get more revenue if you rented for 20 years instead of selling?

Mr. Lago: The price of land differs from Toronto to St. Catharines, Niagara Falls or wherever. For condominiums around Toronto, you have the target market for individuals in the higher income bracket who can bear the price of a condominium. If that answers your question, that is something--

Mr. Hennessy: Is it better that way than renting?

Mr. Lago: Not necessarily.

Mr. Davis: No?

Mr. Lago: It depends on the individual.

Mr. Davis: Thank you.

Mr. Pierce: Following that line of questioning, would an investor see an opportunity to get his money out faster by building condos than he would by getting into rental accommodation? He is more assured that he will get his money back out of condos than he will out of rental accommodation.

Mr. Lago: No.

Mr. Pierce: No?

Mr. Lago: No. I disagree with that. For example, as an investor, I may have put all my eggs in one basket and collapsed a lot of money in registered retirement savings plans, rather than waiting till I am 65 years of age to depend upon that. If I believed there could be six per cent increases, based on the projections that I saw several years ago, the mortgage would be paid off in 30 years, and that would become my pension at the end of the term.

Mr. Pierce: Investors are not really that much different from small landlords. You see it as an equity that you are building up for retirement and some day you hope to be able to use it.

Mr. Lago: Exactly. Be it a big or small landlord, we may have 16 floors in one apartment complex, versus the small owner who has 14 or 15 units, but the same type of repairs have to go on. People are moving out. You have to repaint the apartments. You have to clean them. You just have a bigger expense.

Mr. Pierce: With 4,600 apartment units, I would imagine that your rents vary from \$300 up to--

Mr. Lago: They are between \$400 or \$450 a month to a high of \$1,200, depending on the location and the commodities within the building themselves.

Mr. Hennessy: Now the ceiling of \$750 a month is taken out--

Mr. Lago: Yes. I touched on that subject.

Mr. Hennessy: --after you went ahead, maybe, and invested millions and millions of dollars and, no doubt, projected how much money you would get from your project over many years. Therefore, you are caught to some extent; you have a shortfall.

Mr. Lago: By all means.

Mr. Chairman: Thank you. Is John Thresher here from the Association of Canadian Real Estate Syndicators?

THE ASSOCIATION OF CANADIAN REAL ESTATE SYNDICATORS

Mr. Nairne: Michael Nairne. I am the alternate.

Mr. Chairman: Welcome to the committee, Mr. Nairne. Your brief is being distributed now. Whenever you are ready, Mr. Nairne.

Mr. Nairne: My name is Michael Nairne. I am the president of a company called Aquion Securities Ltd. I would like to talk to you a bit on behalf of an association to which our company belongs, which is the Association of Canadian Real Estate Syndicators.

Before I begin my formal discussion, I would like to précis it with several remarks. We have heard a lot in the past several weeks about the needs of investors in relation to residential rental properties, both existing and new. The members of our association are the conduit that links the average Canadian retail investor with the real estate industry. Many of you may have heard of the term "syndication." It is a means by which a group of individuals come together to acquire a project, a new building or a new piece of real estate.

Before moving through my presentation, I would like to make one point emphatically clear. If Bill 51 is amended and passed to reflect the Rent Review Advisory Committee agreement, it will begin the process of creating supply. Investors are looking for a signal from this government that there is a role for private industry in the residential rental sector. Passage of the bill in a form that reflects the RRAC agreement is that signal.

From our association's perspective, the issue that should be debated is not affordability of accommodation in respect of Ontario's major housing supply, but one of availability, supply. In fact, considering the statistics we have reviewed, our own experience is that 80 per cent of renters can afford rental accommodation in an unregulated market. The people about whom we have to be concerned are the individuals who cannot afford it, the core group, the core poor. It is our association's belief that they are better helped by an income supplement or some form of assistance program, as opposed to controlling supply.

Supply is the major issue of today and is the one impacting most Ontarians the greatest. Today's vacancy rates across the province are appalling, and they are going to get markedly worse. The shortage is reaching crisis proportions and will get worse. That leaves us at a crossroads. Either this government, working as a group, makes a decision and gives a signal to the private sector that it has a role in residential rental construction, or the crisis will get worse.

The alternative, the allocation of greater public resources to housing, is not palatable in this time of scarcity. We need an ethical commitment to direct our scarce public resources to those who need it, not to enforcing systems that result in subsidization of those who do not need it.

I will turn now to the formal presentation.

One of the the things that has occurred over the past 10 years in the province that most people are unaware of when they look at residential rental has been the emergence of the private investor as the primary means of financing new residential rental development. It is not the major institution; it is not the major corporation; it is not the small landlord. It is the civil servant, the engineer, the professional, the individual investor who has become the major source of capital for residential rental construction.

If you look back 10 years ago, institutional and corporate capital withdrew from the financing of residential rental construction. It occurred over a period of time, but with the advent of rent controls in combination with obviously superior alternative investment forms in the southwest United States, superior alternative investment modes in real estate, commercial development downtown and shopping centre development, prudent--and I emphasize the word "prudent"--money managers responsible either to their pension beneficiaries or their shareholders, selected the alternative modes for investment rather than residential rental. These are people living up to their

fiduciary commitments. Unfortunately, there is often an attempt to paint them as black villains. The fiduciary responsibility of those managers is to seek competitive proper returns for you if you are a beneficiary of a pension fund or the owner of stock in a company.

Rent control, by its very passage, and the uncertainty it created and prolonged, created a situation that drove institutional capital, major corporate capital, from the marketplace. The situation was exacerbated in the late 1970s and early 1980s. We went through a major economic dislocation; nominal and real interest rates went to all time highs.

14:30

A funny thing occurred though, in the commercial sectors and to a degree even in industrial: new development continued. Why? The response of the financing institutions and the developers was to put up more equity for these commercial developments looking to long-term rental growth as the means of ensuring returns. Why? The answer was, "We are prepared to invest today notwithstanding the economic rigours and high cost of money because we are looking to a 5-, 10-, 15-, 20-year return."

That did not occur in the residential rental industry in this province. I can point to a number of economies it did occur in; but it did not occur in this province. The pivotal reason was rent controls, on two levels. The first was the existence of rent controls for pre-1976 buildings, but more important than that, was the question of what form of rent controls could come tomorrow, the next day, the next year, perhaps even in 1986.

Is the nature of that punitive? Is it something that will penalize the investor for his decision, or is it something that will recognize the need for a return to that capital?

Proponents of rent control have pointed out, "No problem, new private rental construction did exist. Had it not been for economic situations, there would have been a sufficient new supply under rent control." That is basically not true because a second thing was occurring behind the scenes.

First, the creation of the multiple unit residential building program reinstated capital cost allowance deductibility for private individual investors--I emphasize the word "reinstated" as it was taken out in 1971. Similar to a Registered Retirement Savings Plan in that you are allowed tax deferral benefits--I again emphasize "deferral benefits" not permanent tax savings--such an incentive attracted the interest of an increasingly taxed middle- and upper-income public. These people did not have responsibilities to shareholders or pension beneficiaries. They could make investments in new residential rental construction, and they did.

Combined with a number of other assistance programs, an incentive was created to bring retail--the average individual's investment--capital into the residential rental industry. In fact, I have seen statistics showing that of 165,000 units created over the past 10 years in the private market, close to 100,000 have multiple-unit residential buildings status. A number--and unfortunately there are no statistics available, my best estimate is at least half--were financed by retail investors, limited partnership or co-tenancies.

Let me digress a bit to discuss those people. They are passive investors. One of the reasons they are prepared to invest in residential rental is that, frankly, as a passive investor, they will turn the

responsibilities of management over to a professional manager, as I do my stock portfolio or other things. I will let him handle the day-to-day operation and I will look to it as an investment form of retirement planning, hedge against inflation that will play some vital role in my portfolios.

Those individuals are investing as part of their personal finances. They are looking to returns, just as you look to returns in your savings in your retirement plan. One of the reasons they came into the industry was the absence of rent controls and the assurances that, first, it was only temporary and second, that it would not continue.

Let us move beyond the issue. The issue is not rent controls but rather if the form of rental controls that will come in is so punitive as to treat these people harshly in respect to their hard-earned dollars, or will it say, "You made the right decision?" This government in this province says, "Yes, you can afford and have a right to an adequate rate of return in investment in residential rental construction in this province." That is one of the major issues that should be discussed, not simply the issue of rent control.

What about our recent history? There is nothing static in life, as we all know, particularly people in government. In the real estate industry if there is not investment restoration and new construction, disinvestment is occurring. I have heard people say rent controls are slowing down the residential rental sector here. Understand that in this current era of uncertainty, as we debate and talk of the issue of rent control, what is occurring is disinvestment. Disinvestment means the stock being built out there is being used up faster than restoration dollars are going in. Disinvestment in an industry that should be growing because of the economic demographic circumstances of this province is to all of us a cost in economic inefficiency and is something the politicians should be massively concerned about, not for today but for three years, five years, 10 years, for the issue of tomorrow and what our residential rental sector should be about.

The most unfortunate thing to occur, starting about three years ago, was the termination of the bulk of the incentive programs. The multiple-unit residential buildings program died in 1981. Its lingering impacts and supply additions continued up to 1984. A number of the various incentive programs were discontinued. Did this cause a withdrawal of retail investment capital from the market? No. Higher rental rates in combination with reduced interest and with stagnant land prices for the recent condo boom resulted in a situation where the syndication industry, working in tandem with builders, was beginning to build private rental units in this province without subsidy and, probably for the first time in 10 years, no taxpayers' money, much-needed supply brought about privately by industry.

Critics point out that such housing is not affordable and not available to lower-income tenants. I have always been left relatively aghast at that comment for a number of reasons. First, rent controls in and of themselves create a situation where new units tend to target the top of the market. The person next door has a basic apartment building, the rents of which are reduced by 10 per cent to 15 per cent from market levels. I am coming on with a new cost base. I cannot compete with them on a price basis, so I had better add features. Features cost money. Voilà, higher construction costs.

Rent controls reduce rents. A differentiation had to occur in the market to attract tenants, until the recent scarcity where it is not such an issue. That is, I hope, good--perhaps fewer features and more renting out. You end up in a situation where it becomes self-reinforcing.

The second aspect, and this is the one that leaves me most concerned, is that trade-up occurs in the residential rental sector. There is not a group of tenants out there fixed in time at 25 years of age in that apartment range, or 35 at that apartment range or 55 in that apartment range. They are like everybody else: they move through financial lifestyles and life cycles. They get married. They generate need for home ownership. They move up.

When you create a unit at the upper end of the market with a \$600 rent, quite often if you do a survey--and we have done those surveys--you will find that person came out of a \$400 apartment. Why did he move up? He wanted something a little newer. He wanted something a little closer to work. He just got a promotion and could afford a little better. In fact, in several of the buildings where we have surveyed, 60 per cent to 70 per cent of the tenants moved up from lower-income, lower-priced accommodation.

As we trap off supply at the top end of the market, make no mistake, the force is all the way down and the people pushed out are those at the bottom end. The middle-income renter and the upper-income renter find their way; they have an option of \$70,000 condominiums at 10 per cent interest rates. The pensioner does not. We have a situation where unsubsidized units at the top are not coming on because of the uncertainty related to the debate over rent controls--and I emphasize the word "uncertainty."

Retail investment capital is on hold basically pending the discussion on uncertainty that has occurred during the past year. Our company, for instance, has raised money for as many as 600 to 700 suites a year. This year, we are looking at about 270. Next year we are going to make our decision on the basis of your decisions here.

14:40

The one thing that is heartening is that capital is capable of returning. It can and will come back into Ontario. The issue is, what is the treatment of that capital going to be, punitive or fair, an adequate rate of return in the short and long run or not? We have before us a debate on the attraction of capital to, or its flight from, residential rental construction. What are our recommendations? We have broken them into two sections.

We believe that to attack the problem of housing truly, first, those who require special housing by reason of physical or psychological handicap should get it. One of the most distressing ethical features today is to find that we are implicitly subsidizing healthy, middle-income renters when the disadvantaged go wanting, and that is the responsibility of all of you.

Second, the affordability problem is best addressed through the design of shelter allowances. People without money need assistance, not through reduced rents but through an income supplement.

Third, on the rent control front we recommend the gradual removal of controls over three to five years and the setting of ceilings to protect the tenant from massive increases but allow the market to begin to respond and supply additions to come in.

Fourth, put limits on unconscionable rent increases. They do the industry no good, they spark political fervour and they are ultimately one of the reasons we all sit here. I note that there are many of us in the industry who prefer to see three-year moving averages and gradual roll-ins rather than the up-and-down peaks that are endemic to the real estate cycle but

unfortunately have dire political consequences here.

Finally, we recommend an evenhanded approach. This government and all governments must begin to support the rights of the investor. Do not debate it as landlord versus tenant. Investors are all of us: landlords, tenants, home owners. They should, like investors in Bell Canada, have the right to earn a greater return, regardless of the regulatory nature of the industry.

In respect of Bill 51, we support the position of the Fair Rental Policy Organization of Ontario. We have reviewed and we endorse their submission, which I believe is going to be presented at a later date. We are most concerned that the bill accurately reflect the Rent Review Advisory Committee agreement. We saw that as a massive step forward, albeit a partial and much-criticized tenant-property-owner reconciliation. It was a first. The committee should be congratulated, and the agreement should be worked on as a first step.

From the investing public's perspective, the key issue will be the capacity to earn competitive and adequate rates of return from investment in new capital stock. In this regard, from the investment sector, the residential complex cost index and the building operating cost index formulas are critical. Why are they critical? One of the most fundamental characteristics of real estate as an investment vehicle is its ability to hedge inflation. All of you who own homes have felt that inflationary spiral. In real estate you have to be able at least to keep pace with inflation to protect your capital from erosion on a real return basis.

The RCCI and BOCI formulas are the first time we have removed the arbitrary limit of four per cent, which may be quite palatable today but in tomorrow's world of eight per cent may create such massive disinvestment that we will all rue that decision. By allowing that partial indexing, we begin to restore investor confidence in the capacity of residential real estate in this province to earn competitive rates of return. Similarly, the rate-of-return provision set out in section 77 must be allowed to stand. Investors must have the opportunity to earn competitive yields if the industry is to attract the capital it sorely needs.

To arrive finally and ultimately at our conclusion, we believe Bill 51 represents a positive and meaningful step towards the resolution of Ontario's rental housing crisis. It will not satisfy all landlords or all tenants. However, if administered in a fair and equitable manner, with true recognition of the investor's right to earn an adequate return on his investments, our association believes that new supply additions will come back into this marketplace and we will begin to rebuild a real role for the private sector in Ontario's residential rental sector.

Mr. Chairman: Thank you. It was a good presentation without any ambiguity in it. Are there questions or comments from members of the committee?

Mr. Pierce: Mr. Nairne, tenants' groups appearing before the commission have indicated that they are not totally in favour of what you consider to be shelter allowances. They see those as a means for funnelling more money from the government through the tenants to the landlords. That does not appear to be acceptable to tenants who cannot afford to pay the rents that are being charged. I am talking about the low-income renter. I am not talking about the middle-class renter, the guy who is driving the big car that sits out in front of the apartment where he is paying low rents as a result of rent control. I am talking about the tenant who is in a low-income bracket and who

does not want to be subject to a means test to qualify for a shelter allowance.

Mr. Nairne: I have not had the advantage of dealing with all individuals and do not know whether all the poor tenants would necessarily agree. People are subject to means tests all the time, whether it is going for a bank loan and getting a mortgage or getting a credit card. I do not think the issue should be on the debate of a means test.

By moving to a rental housing allowance and reinstating a less regulated market, you will begin to encourage supply additions and begin to create a more competitive marketplace where you have two levels of protection. One is the option of taking your money and going across the street; the second will be the protection against unconscionable rent increases, so you can rent in new, competitive accommodation without fear of facing a 20 per cent increase the next year.

Mr. Cordiano: We have heard estimates--and I think these are the figures for economic rent that have been tossed around quite a lot lately--that for any kind of return, the rents have to be in the neighbourhood of \$800 a month. To build a unit today, you are looking at about \$65,000.

Given those figures, which I think reflect an accurate picture of what is out there and the costs involved, what you are saying is that people will have the tendency to trade up, and you and your group have done some surveys with respect to that. How do you feel about that? Do you think people are willing or able in any significant number to pay \$800 or \$900 a month?

Mr. Nairne: I am neither a statistician nor a demographer, although I watch both, but \$700 a month is \$8,400 a year, times 3.5. On a \$25,000 household income, I think you begin to create affordability for a large section of the renting populace.

In the buildings we are in, we have found at the top end that people are paying 12 per cent to 15 per cent of income. I am pleased to say that when those people are earning \$40,000 a year they move out of a \$500 unit, creating the way for somebody at \$25,000 a year. The worst mistake that is occurring is the continued debate of--let us take a look at the home ownership market. The average price of a new home is \$130,000 to \$150,000. It is typically 20 per cent to 25 per cent higher than the average price of a used home. Why? Because a lot of people move into older, lower-priced accommodation; as they move through their careers, as they get older and as their families grow, they move up. We do not indict the homebuilding industry because its cost reality makes it build housing at \$140,000 against resale at \$100,000. We say, "Bravo." Where are the bravos for the residential rental builders who are doing the same?

Mr. Davis: You indicate through your brief that you believe if Bill 51 is passed as it is--and specifically you talk about the RCCI and the BOCI--you will find money to invest. Constantly, in the three or four days of hearings we have had, the developers who have been before us and some of the other investors say they will not build. Whom do I believe?

14:50

Mr. Nairne: In the past five years, our company loans raised and invested a total asset value of \$250 million in this province. I can only look in the mirror and say, "What do I think?" and not "What do they think?" The truth of it is, I think the industry has overreacted to the issue of rent

controls and in an emotional outburst is saying: "We will not build. We cannot build."

I believe the truth of the matter is that the bill, if passed as set forth in the Rent Review Advisory Committee agreement, will begin to create certainty. The bogymen in the closet is more frightening than when you open the door and look. "My God, it was just my jacket hanging there." The bogymen has always been universal rent controls.

In fact, I think you can make the case that the passage of the bill in a form that balances the needs of the investor with that of the tenant will, over the medium term, begin to reestablish and rebuild confidence, and confidence builds units. There are a couple of other factors that you have to take into consideration too.

Mr. Davis: I will bet.

Mr. Nairne: First, economic circumstances. Ten years ago, Ontario did not need as much residential rental construction as it needs today. We have demographic inflows and a turnaround in the economy. General Motors is backed with the Japanese putting in money. We are looking at oversupply in the commercial-retail market. My belief is that you will begin to see more and more people coming back into residential rental. There will be many developers, not as holders but rather as builders for investors.

Mr. Davis: I would like to follow this up very briefly. In effect, what you are saying is that as an individual or with your syndicate, you are prepared to invest.

Mr. Nairne: If the bill is passed in the form set forth in the RRAC agreement and is administered in a fair and equitable manner.

Mr. Davis: Fine. Now let me ask you the corollary to that question. There have been some builders or investors before us who have said they are willing, provided the industry thinks it is going to have confidence in the government. Would you explain to me what you mean by "confidence"? You have said "confidence in the market" and "confidence in the government." What do you mean by that?

Mr. Nairne: I mean confidence that there is a legitimate recognition of the needs of the investor.

Mr. Davis: Expand.

Mr. Nairne: Expand?

Mr. Davis: What do you mean? Put it in something other than words.

Mr. Nairne: For the first time, in section 77, for example, albeit not for pre-1976 buildings--and for many of us in the industry that is a failure of the bill--but for post-1976 and new construction the bill begins to talk about a rate of return, a right to earn a yield on your capital. If that principle is upheld by the government both vocally and in practice, can I not invest with the same confidence as I invest in Bell Canada stock, which also has regulated pricing?

Mr. Davis: Let me talk about 1975, when the government indicated to builders across the province that apartment buildings built before 1975--and I guess 1976 came on stream--would not be subject to rent control.

Mr. Nairne: Yes.

Mr. Davis: That must have been the kind of confidence factor investors and builders were looking for, because they began to build.

Mr. Nairne: No. I go back to my bogymen analogy. They feared that 1986 would come and that the bill would ultimately be punitive. The year 1986 has come, and universal rent control is here; the thing they feared emerged. The question is, what form is it? Should it be something they fear? That is what the debate is about. I am saying that if you make the bill something they should not have feared, we can look to confidence reinstatement.

Mr. Davis: I am glad you are so optimistic.

Mr. Nairne: Somebody has to be.

Mr. Davis: Yes. There are not too many after they read Bill 91.

Mr. Chairman: Mr. Nairne, thank you very much for your presentation.

Is Robert Hann here from Valiant Property Management? Mr. Hann, make yourself comfortable at the table. Members, this is exhibit 55. It consists of a presentation today and a brief that Mr. Hann presented to the Oshawa task force on housing.

Mr. Hann, welcome to the committee. I hope you will introduce your companion and proceed.

VALIANT PROPERTY MANAGEMENT

Mr. Hann: Thank you. My name is Robert Hann and I am president of Valiant Property Management and associated companies. I am the third generation of my family to build in Ontario. We started in 1923.

I started building rental apartment buildings in 1957, approximately one per year, and stopped in 1973, primarily because of the fear and threat of rent review or control.

Appearing with me is Mrs. Cathy O'Flynn, who is vice-president of our firms and has been working with me for 21 years, mostly in charge of the day-to-day property management of our income-producing properties, which are in Whitby, Oshawa and Peterborough.

Our companies are members of many of the industry associations, including the Fair Rental Policy Organization of Ontario.

I respectfully request that you approve Bill 51 exactly as it has been negotiated or cancel it completely. Any changes in your ideas or thoughts, even slight ones, will completely gut the toughly negotiated settlement between the tenants and landlords. Both the tenants and the landlords were led to believe that, provided they were able to negotiate a settlement successfully, there would be no political problems. If this government now goes back on its word and changes Bill 51, even to a minor extent, for whatever reason, it is bad faith of the most blatant kind.

A claim that any of the three parties--tenant, landlord or government--was not representative is a red herring, in my opinion, because there was no one else to deal with. A claim that the landlords are divided is

true only in that the route and the chances of getting to the goal of rent decontrol are the only things that divide us.

We all know only too well that rent control does not work. Eleven years of history have to prove that. A wise scholar said, "One page of history is worth a book of logic." The illogical part of rent control, one page of history or experience, is worth a whole library of illogical thought.

Rent controls have destroyed our investments. Rent control has not made housing for the poor more affordable; it has done exactly the opposite. We have seen a whole industry disappear, jobs lost and a shortage of affordable housing created that harms the very people who were supposed to be protected. Governments are supposed to lead us into a better life. They have made it worse for poor renters. Eleven years of rent control have proved beyond a doubt that, even if this is the best-intentioned legislation, it does not work.

As a matter of fact, I am for rent control. I am for the type of rent control we had before 1975. It was a beautifully functioning system. Whenever we overbilled, we had to make special deals. We had to move tenants free; we gave 13 months' occupancy for 12 months' rent. We had to do special marketing things. We had vacancies at times of 30 per cent. Believe me, when the mortgage wheel was running, when the time was running and we had to pay a mortgage, we were giving special deals. As time went on, then there would be a shortage. Everybody would stop or slow down building, and there would be a shortage of apartments. The demand would catch up, and away we would go again.

We put in special facilities to try to attract tenants. We put swimming pools into our new buildings. Then the next gimmick was games rooms, then hobby rooms with woodworking lathes and leather-working equipment. We did everything to try to get tenants to come in. That was beautiful rent control. It was fair.

With the imposition of rent control, you have filled up our buildings and taken away all the competition, and you have cut my heart out, because I am competitive. I like to compete and beat other guys. It does not butter any bread for me when another builder goes bankrupt, but the fact that I was able to survive does give me a little stroking on my ego. I worked up enough to be able to survive. I was smart enough to figure out the right market.

15:00

Now, with this government-imposed rent control, the resident superintendents pick and choose tenants, whoever they think will give them the fewest problems. They no longer give away gifts or pay moving expenses. Repaintings are limited. The attempt to correct the shortage with government subsidies is doomed to failure. All the Renterprise and so-called nonprofit schemes will not solve the problem. They temporarily patch over or deflect us from correcting the root cause, which is imposed rent control.

A negotiated settlement between the landlords and the tenants was an honest effort between two opposing factions at the request of this government to reach a settlement. They reached a settlement. If you now change that accord, even slightly, you will be responsible for polarizing the two factions, and there never will be any further chance to correct the worsening affordable housing conditions that rent control has created.

I was asked to be a member of the city of Oshawa's task force on affordable housing, and I submitted a brief, as requested. I have enclosed a

copy of that brief. It is probably 20 or 25 pages long. It being Friday afternoon, I am not going to attempt to read it, but I will mention it to you briefly, because rent control per se is not what we are here for right now; we are discussing Bill 51. My recommendations to that task force were the only way I know to help them. Against my best judgement, I was willing to go on that task force, knowing full well that the only way to correct the problem was to correct the problem. The root cause of the problem was rent control. Again, history has proved it.

I made three recommendations to that task force. One was to end artificially imposed rent controls, because numerous studies by numerous economists of different political persuasions all agreed that rent controls caused a shortage of affordable housing for those most in need. In other cities where rent controls have been ended, actual experience shows that rents have not risen dramatically after decontrol. This is not something I have dreamed up; there are available studies. Your staff can get them, or I will be glad to supply them.

Like you, I have to depend on a lot of expert opinion. We cannot all be expert engineers, solicitors, economists and statisticians, so we have to employ people who we think can give us the best information. My experience has always been that it is rare for all these experts to agree on something. I am then in the position of having to judge and choose. Virtually all the economists are in complete agreement that rent controls are diametrically against what is common sense and what is best for the supply of affordable housing. That proves to me that it is wrong. I hope it makes you stop and think about it.

My second recommendation to the Oshawa housing task force--maybe this is the only new thing that is being presented to you, because I am sure you have heard all the other things I have said before--is that there should be co-operation to stop wasteful practices. There are more than 90 different government authorities that could have an impact on the construction of a building. Many overlapping jurisdictions and slightly different development rules exist without any benefit. If the skills of those capable people could be harnessed beneficially, there is no end to how efficient and productive the industry could become.

Let me give you an example of what I mean by that. In Oshawa, which is part of the region of Durham, there are seven or eight municipalities across the north shore of Lake Ontario. They all have pretty much the same water-flow characteristics, the same type of land, the same river crossings and so forth. It makes sense to me that engineering, for instance, should be the same in one municipality as in the other, with local soil conditions making a variation. What we have are slightly different engineering standards for each one of them. One has runoff flows of a five-year storm; another one has a runoff flow based on a 10-year storm, ad infinitum. It means that the engineer who is designing my services in Oshawa then has to have another set of rules for a development in Pickering; he has to have another set of rules for a development in Newcastle. It makes sense to me that all of those rules should be the same.

I am sure you have seen numerous new subdivisions. A very technical point is the arc of the elbow of an L-shaped road within a subdivision. Can you believe there is a reason for having different radii in each of those subdivisions? That is just wasted. It is one wee, tiny little nickel-and-dime thing, but those nickels and dimes mount up. I cannot understand why the province has not said to the municipalities, "Show us a reason you have not

standardized your requirements." It would mean then that an engineer would not have to have 50 books on his desk or in his library to look at. He would know that the standards for all of them were the same.

That is only one little easily illustrated point, the zoning bylaws. All of that type of thing is the same. This is all work that is being done by the most expensive people on the job: the professional people.

The other recommendation I made to the Oshawa task force on housing was to determine who deserves subsidies and the best method for subsidies. There will always be some persons who will require subsidy for their housing needs. No responsible, caring person begrudges having his taxes help those in real need, provided it is wisely spent.

That is self-evident. We hear horror stories of poor old people who cannot afford the rents and are actually eating hamburger or whatever because they have to have shelter. I certainly would not object, and I do not think anyone in this room would object, to those in need receiving help, but the legislation we have is helping those people who do not need help at the cost of the people who do need help.

My office is in one of our buildings, and so I am travelling the elevators with some of the residents in that building all the time. It is a common thing right now, and will be in the next month, to hear them say, "When are you leaving for Florida?" These are people who are in rent-controlled apartments for \$350 or \$400 a month and they are able to go Florida for three or four months. They go to their summer cottages. "How is your summer cottage?" "How is your summer trailer?" I do not begrudge them that one bit; maybe they deserve it and they have earned it. But remember, it has not taken five cents out of my mouth, but it has taken dollars and dollars of food out of the mouths of the people who should have those cheaper apartments, people who now have to go and find an apartment at a higher rent and cannot get the money to pay for their food.

I am willing to bet, not knowing any of you people, that you have the best of intentions to help the people who need help, but that is not the way it is happening now.

That is all I have to say, Mr. Chairman. If there are some questions, I will try to answer them.

Mr. Chairman: Thank you, Mr. Hann. You say in part of your brief to the Oshawa task force on housing, as I recall, that a shelter allowance would not be expensive. Any information we have ever had before the committee is that the shelter allowance would be a very expensive way to subsidize low-income people as an alternative to rent controls. I am not trying to put you on the spot, but do you have any information on whether shelter allowances would be expensive?

15:10

Mr. Hann: Yes. There is a great deal of information by a person whom I do not know, but I have questioned other people in the industry and they say she is very good. It is by Professor Marion Steele. The reference to it is halfway down page 12. In Housing Allowances, An Assessment of the Proposal for a National Program for Canada, she supports a housing supplement. This was a study done using actual models. I understand she is a professor in one of the universities. She has made a very exhaustive study of that.

A major point she has come up with in the results is something that I never really thought of before I read her stuff. A lot of people do not necessarily want the best housing they can get. They sometimes prefer to have cheaper houses so that they will have more disposable income to buy boats, go on vacations or whatever. As a result, she says--and this is my interpretation of what she is saying; so please forgive me if I am incorrect--you cannot just count the number of people who are in need, multiply their shortfall in income or rent and say that that is the number of dollars needed. You have to take into account this other thing, the fact that some people will not request that shelter allowance. They are willing to sacrifice a beautiful home for some other thing.

Getting back to the idea that we have to trust someone, all I can do is trust the most expert people's opinions when they have been asked to study the thing carefully.

Mr. Chairman: We have legislative researchers who can dig up that report for us and we can have a look at it. Are there any other questions for Mr. Hann?

Mr. Cordiano: To follow up on that, we also heard about shelter allowances that if they are universal, then they are extremely expensive.

Mr. Pierce: I am sorry; I cannot hear you.

Mr. Cordiano: If they are universally accessible and are made available to everyone in need--sorry, not everyone in need; I should rephrase that--universally accessible shelter allowance on the basis of some criterion. I do not know what that would be and, quite frankly, I have not seen anything like that. Universality would be the most expensive form of shelter allowances. I think we heard that from Mr. Smith yesterday in one of the reports we got.

Mr. Hann: I do not know what you are asking. Are you asking whether it should be for anyone who asks for it?

Mr. Cordiano: I have read part of your brief on shelter allowances and I am not sure whether what is being proposed here is universal shelter allowances or partial shelter allowances.

Mr. Hann: I tried to point out in the discussion that my interpretation of what you are saying is that it should be available universally but that it will not be picked up universally, because some people will want, or are happy with, cheaper housing if they use the money for something else.

One of the things I had the toughest time with when I was trying to formulate my position to send to the Oshawa task force on housing was the idea of a means test. I am probably the only landlord here--perhaps not; it does not matter. In any event, my grandfather, whom I loved very dearly and who was a powerful and very strong man, and my father, whom I also loved very dearly and who also was a strong man, far better than I am, both went through the horror of a means test during the Depression. Although I was young, I remember how tough it was on those very proud men.

I had a lot of difficulty with the idea of suggesting that there be a shelter allowance and someone therefore may very well be put through the mill, just as my father and grandfather were. The thing I realized was that there

was nothing wrong with the means test. The problem was the person giving the means test treating them as if they were second-class citizens. I would like to believe that the social agencies are now run by better educated people who are somewhat more capable of not demeaning someone if he needs a helping hand, who can judge carefully and give carefully. It does not have to be overt. It does not have to be out in the open. It can be very simple thing.

You already have a similar thing for municipal tax relief for farmers, for instance. It is the same thing. If you are a farmer, you do not have to pay half the taxes; half the taxes are forgiven. There is the same thing for shelter allowances for senior citizens. No precedent is necessary. Those things are already in place, and I think they are working fairly well.

Mr. Cordiano: I was pointing out, as someone else looking at shelter allowances had said, that if they are universal, they will be something akin to baby bonus cheques whereby all tenants will get a shelter allowance.

Mr. Hann: I do not believe in giving me a shelter allowance.

Mr. Cordiano: That is why I understand it to be universal.

Mr. Hann: I would not be against doing it the same way they do with the baby bonuses; they gave it to my kids when they were young, but then they taxed it away. I dislike the wastefulness of their making out a cheque, doing all the arithmetic and then taking it back in a convoluted way through tax. A more sensible way is to give it to the people who need it or ask for it. That type of facility is available and it could happen. I would not be against that, if that is what you mean by universality.

Mr. Cordiano: I was asking whether you were proposing the universality of partial shelter allowances.

Mr. Hann: I think the best thing to do is for the staff on the committee to get you the report I refer to and let you read it. I think it would be very interesting.

I was raised in a poor family. My father was a United Auto Workers organizer just before the war, when times were tough. After coming out of the Depression, it took a lot of guts to put a badge on your lapel saying you were a union organizer. It took a lot of guts, and he did it. I was raised in the atmosphere of "fairness is correct." At that time, de Havilland was not fair. I do not know anything about it; I am not saying anything about it now.

The point I am getting at is that I have seen both sides of this thing. I think the wheel has gone too far right now against the landlords. That is my opinion. The proof is the fact that rent control is not working. Eleven years later we are sitting here, and you are the people who are in the quagmire. All I have to do is go out and bellyache; you have to make the decision. The decision you are going to be making will have an impact on who freezes to death this winter. It will have an impact on whether your children, your sisters or whoever can get a house or a place to live next year.

Mr. Pierce: Mr. Hann, you have indicated that the bill should be accepted as it is written today, and yet you have some very strong feelings about rent controls. Your indications are that your belief is that rent controls do not work. Where do you see anything in Bill 51 that says rent controls are going to go away? The Liberal government has said that rent controls are here to stay, the Minister of Housing has said that rent controls

are here to stay and that you as a landlord had better recognize that and deal with them accordingly; so where in Bill 51 do you see some light at the end of the tunnel that says rent controls will go away?

15:20

Mr. Hann: I do see a light at the end of the tunnel, although I do not know whether it is a fully loaded freight train racing at me. It is only a very tiny glimmer, about the size of this light here compared to the sun, but at least the light is on. The light is on because Bill 51 is a result of somebody saying for the first time, "Owner-landlord and resident-tenant, sit down to see whether you can help us solve this problem." They sat down and fought tooth and nail. I am a member of the Fair Rental Policy Organization, but I am not a member of the RRAC. They fought tooth and nail and gouged and stickhandled each other. They spent nights meeting and finally came up with something each was willing to okay.

If you as a government say you are not going to accept that, there will never be a chance to get together to try to make sense of the hash we are in right now. It is going to be on your heads if you change anything in Bill 51 that makes the industry say to Mr. Grenier or to any of the other people who worked their backsides off: "To heck with you. We are not going to go for this. We are going to do whatever we can. We are going to dig in our heels." If you are the cause of that, or if you change it the other way, so the tenants will not agree to a scenario, then it will be on your heads if another tenant freezes to death or if your children or your grandchildren have to live in your basement because no apartments have been built for them.

Mr. Davis: I apologize that I had to be out doing another chore. Could I ask you to comment on seeing the light at the end of the tunnel?

The committee has recognized that often a lot does not happen with legislation, and you should review what you put out there to see the impact it has. The bill indicates that will happen in about three years.

At the end of three years the RRAC members say they would like to take a look at what has happened. We have had some individuals before us who say--and the minister skirted the question, although his assistant deputy indicated that what I am about to say could happen. If at the end of three years the investors and landlords find there is not a fair return on their investment with the RCCI and BOCI formulas, the minister has two alternatives, and I can think of only two alternatives if it is not working. You can look at other parts of the bill, but I think that is the key part of the bill. If it is not working, then the mechanism to make it work is either to increase the RCCI and BOCI formulas so there is more return, which means higher rents, or to remove rent controls. Would you say that is the light you see at the end of the tunnel?

Mr. Hann: To try to tell what I am going to be doing tomorrow is like trying to figure out how many angels can appear on the head of a pin.

Mr. Davis: I might be able to give you an answer to that.

Interjections.

Mr. Hann: I think that is a wise statement in the proposed legislation, because it identifies that we do not know how this thing is going to work. We do not know if it is good, bad or indifferent. It is a sunset law

in that you have to look at it again. Maybe I will be in your position at that time and you will be in this position, or whatever the scenario is. At that time, I will look again, and if it is mandated, you are forced to look as to whether it will be the end of rent control or whether it is going to be a tougher rent control. Who knows? You tell me what the committee is going to do on Bill 51 and then I will give you the next scenario. Then I will ask you for another scenario and we will go on for ever.

Mr. Cordiano: You should ask him again.

Mr. Davis: That is what he has been doing.

Mr. Pierce: You have 100 amendments to the thing already.

Mr. Davis: It is interesting that the Liberals saw fit to take the recommendation to put what you called a sunset clause in it and, in another piece of controversial legislation that passed at the end of July which affects this province, they would not put the sunset clause in it. I think you had better not hope that sunset clause will be in it.

Mr. Chairman: Thank you for that, Mr. Davis. Mr. Hann, thank you very much for your appearance before the committee. It was a nice, straight-from-the-shoulder presentation. We appreciate it.

The next presentation is one for which we have been waiting all week. We have Jan Schwartz from the Multiple Dwelling Standards Association. Mr. Schwartz is a member of the Rent Review Advisory Committee.

MULTIPLE DWELLING STANDARDS ASSOCIATION

Mr. Schwartz: May I have your permission to keep my jacket off?

Mr. Chairman: Yes. We want you to be free-wheeling and comfortable.

Mr. Schwartz: This is the only day I came with a tie and jacket.

My name is Jan Schwartz, and I am the president of the Multiple Dwelling Standards Association on whose behalf this presentation is being made. I am also one of the nine landlord representatives on the Rent Review Advisory Committee, which is to be called the Rental Housing Advisory Committee.

To begin with, just a few introductory remarks about our organization, for those of you who are not familiar with the MDSA, as we call it. It is a nonprofit organization incorporated provincially in the fall of 1970. It is the oldest province-wide landlord association whose membership consists almost entirely of investors who have purchased their buildings, rather than builders and developers.

Collectively, our membership owns and operates about 40,000 rental units in various parts of the province. More than three quarters of the buildings are in the greater Toronto area. Most of our members own just one building, the majority of which are less than four storeys high.

The owners come from different walks of life. Some are part-time landlords holding jobs in offices, factories or professions and have other sources of income. Some have a sufficient number of units to require their full-time involvement and depend entirely on their rental income. A great number of our members, about 25 per cent, have reached the age of retirement,

where their rental income represents either the sole or primary source of income.

Many of our members reside in their own buildings. In fact, the smaller the building, the more likely it is to be owner-occupied. We also have second-generation members--two-generation members. You met one of them earlier this afternoon. Sixteen years ago, the parents joined as members. Today, we have the second generation.

15:30

Appearing today before this legislative committee is not a first of its kind for me. On December 1, 1975, I appeared on behalf of the MDSA before the select committee when Bill 20, the original rent review bill, was being considered.

On May 3, 1978, I represented the MDSA before another legislative committee regarding the green paper on Policy Options for Continuing Tenant Protection.

On November 22, 1978, I appeared before the standing committee on social development regarding Bill 163, An Act to reform the Law Respecting Residential Tenancies.

On June 6, 1979, I appeared before the standing committee on general government regarding part XI of Bill 163, which became the current Residential Tenancies Act.

Between 1983 and 1985, for nearly three years, I acted on behalf of the MDSA before the Thom Commission of Inquiry into Residential Tenancies on numerous occasions. Today, it is the new bill known as Bill 51.

Listening to the various presentations of landlords, tenants, individuals and groups during the past two weeks, one cannot help but get the strange feeling of déjà vu. It is like watching a play I have seen before, and yet there is something new in this latest version.

This time a new element has been added. For the first time, the main actors of this drama, landlords and tenants, were invited to take an active part in writing the script for Bill 51. In a daring and unprecedented move, the new Ontario government invited nine landlords and nine tenant representatives to partake in the process of improving the system. Thus, the Rent Review Advisory Committee was born.

As a RRAC member, I can attest that all of us on the committee strove to achieve a balance of the interests we represented. The fact that the outcome was far less than perfect has been stated before, but a number of issues were resolved in a positive way.

Having said that, I must point out that in our efforts to achieve the delicate balance, another imbalance was created, which in our opinion represents a serious flaw in the bill. I am referring to the imbalance created in the treatment of pre-1976 and post-1975 buildings.

A basic principle was recognized and established, namely, that post-1975 buildings are entitled to an adequate return on the owner's investment. No such recognition was given to pre-1976 buildings, which represent the bulk of the existing rental stock. Having created this artificial division based on

the age of the buildings, the age factor was totally ignored when a fixed operating allowance of three per cent of revenue was introduced. Later, this become the residential complex cost index, minus one.

It must be obvious to everyone that an older building requires a considerably greater amount for maintenance and repairs than a newer one. You could make the comparison of a new car, which you have just purchased and for which you hardly have any repairs for two or three years, and an old clunker that may be 10 or 15 years old.

Even the assured housing paper called *Reforms to Rent Review* addressed this particular point. See page 9 under "Annual Allowance for Operating Cost Increases." It says that "for older buildings which require more maintenance, the allowance will be slightly higher." Bill 51 makes no such distinction.

Some older buildings may have as high as 70 per cent of revenue go for operating expenses and big repairs. For new buildings, the percentage may be as low as 30 per cent. You may wish to look at table 2 of Professor Lawrence Smith's submission, which illustrates now the ratio of revenue to operating expenses is applied to a new building and to an older building. This appears on page 19 of exhibit 40.

The remedy proposed in Bill 51 for a limited number of pre-1976 buildings is not only totally inadequate but also, to quote an earlier deputant, "a sham." I will return to the issue of chronically depressed buildings later.

When rent controls were first introduced in 1975, it was the noncorporate landlord and the so-called man and pa operators who were ill-prepared and found it difficult to cope with the new situation and were, therefore, most vulnerable. Contrary to popular belief, rental housing in Ontario is not dominated by large corporations of builders and developers. The bulk of the province's rental stock is in the hands of small investors who do not possess the financial, technical or management sophistication of large corporations.

It is more likely than not that the more sophisticated landlords had their rents at or near market levels in 1975 but that the smaller owner was often well below market levels. In pre-control days it was not crucial, as he could eventually increase his rent levels without too much delay or monetary loss.

If I may depart from my text for a minute, Mr. Amonsén, who appeared earlier today, told you that what is wrong with the system, including the existing proposed bill, is that you start with the wrong base. Anything you build on a wrong base is no good.

Why is the base wrong? A lot of these, as Professor Stanbury called them, idiosyncratic smaller amateur landlords did not keep up their rents all the time at market levels. When controls came in, they did not realize that, legally, this was it; they were frozen; this was going to be the base for many years to come. Anything above that frozen level, whatever it may have been--and it could have been way below market--they were stuck with it.

Some of them did not realize this and went to rent control. They tried to go through the system legally. What happened? They found out about the system: "Too bad. You are \$100, \$200 below market? Tough luck. This is only rent review; this is not rent control. We accept the base and we pass through the costs, but you are stuck with the base."

The bill was temporary. The law was going to expire in 19 months. Remember, it was two years, but six months were retroactive, so it had only 19 months to go. The landlord said: "What the heck. Another 19 months. We will manage somehow." If a tenant moved out and a new one came in, it was only natural for him to adjust it himself. If he had two identical units with way-out, big differences and if tenancies changed, he adjusted; he did his own equalization. Technically, he broke the law. It was not legal, but the law was not going to stay very long.

We were all wrong about that, because when the first expiry date came, bang, there was an extension. It was for another year or year and a half. Then it expired again and it was extended again and again, until in 1979 it was made indefinite--no more expiry date.

15:40

Anyway, I come back to the point that whoever was stuck with a low base is still stuck with it today. For those who made the mistake, as it turned out, of going through rent review only once, there is a record there now; a registry is already in place for them. The way Bill 51 proposes to treat this, the calculation of illegal rents is going to go back 11 years. Thus, anybody who made some adjustment in 1975 or 1976 by going through the system is a potential victim of a potential major violation, because his legal rents, if they were just to add the statutory increase, will be way out.

Of course, there is the provision that if you made improvements, you can go and justify all the expenses. How can you justify expenses for 10 or 11 years, I ask you? They have problems keeping receipts for one year. Now they are supposed to come up with them for 10 to 11 years.

Anyway, I had better return to my script.

Many landlords became victims of the new system. Yet investing in residential rental housing has been a tradition with thousands of Ontarians for many years. Both governments, the former Conservative government as well as the present Liberal government, were well aware of that fact. In the aftermath of the great apartment sale, the then minister responsible for rent control, Dr. Robert Elgie, said in the House on November 16, 1982:

"Let us remember that many people in this province have, as part of their retirement planning, invested in rental buildings... Some are dependent on the income stream for their livelihood and many of them may very well wish at some time to sell their interest and use their capital in some other way. This has been an accepted part of the investment activity in the province for years and it is not one that we should now sweep aside in our haste to protect a particular group of tenants in a specific situation."

To turn to more recent government pronouncements, let us look at the December 1985 paper Assured Housing for Ontario. Under the title "Reforms to Rent Review" on page 8, under the heading "Pre-1976 Buildings," the paper states:

"A number of mostly, but not exclusively, smaller buildings were, in 1975, charging rents well below then prevailing market rents for a variety of reasons. Typically, the owners of these smaller buildings bought them with their savings and personal earnings and have maintained them through 'sweat equity.'" By this we mean they have done a lot of their own repairs and maintenance. "Over the years of rent review these buildings have been caught in an unfair and deteriorating situation.

"Because the initial rents were depressed and the allowable annual increases were calculated as a percentage of rents, they are renting at a position farther below market rates than they were in 1975. This has produced an unfair hardship on building owners caught in this position and has in many instances produced a new level of working poor--people who are forced to work long hours just to break even. These people, who have invested in Ontario's future, have lost much of the value of their investments, cannot sell their buildings for what would be deemed a fair price and have no hope of retirement income from their labours."

I am reading from the assured housing paper, so the government is aware of all that. I continue: "The government is committed to alleviating those situations where chronically depressed units are evident." Here comes a very important part that is somehow not being talked about very much, but it is still right here in the paper. The government admitted in December: "Our consultation during the past few months identified many of these buildings. We have found that almost 80 per cent of the tenants in these buildings can well afford to pay rents closer to that paid by others in similar accommodation covered by rent review."

The paper concludes: "In the interest of fairness and equity, the government will provide for relief of hardship in these instances through a mechanism to be developed by the Rent Review Advisory Committee."

The problem has been identified. A certain number of apartment buildings in Ontario have severely depressed rents, and after almost 11 years of control they have become chronically depressed. The big question is how Bill 51 proposes to deal with this serious problem, which affects thousands of people who, through no fault of their own, have been victimized under a law that was never meant to be permanent, a law that was specifically designed and devised to last for only two years.

It seems to us that the solution proposed in section 88 of Bill 51 is not only inadequate but also, as has been described before, a sham. Clause 88(1)(a) establishes a threshold of 20 per cent below rents for comparable complexes. In other words, if someone's rent is \$400 per month and if similar buildings in the neighbourhood average \$500 a month, the bill proposes to deny relief in such cases. What it says is: "All right. You may be in a hole, but the hole is not deep enough."

If your rent would be \$375 per month, then under subsection 88(2) relief in the amount of two per cent, or \$7.50 per month, would be granted, but not for long; just until such time as you reach the acceptable debt, which is just a little higher up in the hole. Many owners of such buildings, especially those who have reached a more mature age, may never live to see the day when their rents catch up to the acceptable levels. In fact, they will go deeper and deeper into the hole.

A two-year limit on applying is also contemplated. Such a limit may make an already bad situation even worse. A landlord who may be 18 per cent below average today, and therefore not qualified for this relief, may find himself three years down the road at 25 per cent below average and unable to avail himself of the extra two per cent relief.

At the back of my submission you will find attached a computer printout that indicates the catch-up periods required from various periods of depression, from 20 per cent to 45 per cent below average, with an extra two per cent increase added. Rather than elaborate on the inadequacy of the two

per cent allowance for chronically depressed buildings, I refer you to Professor Lawrence Smith's paper of August 27, page 12, which I believe is exhibit 40.

Not to recognize an existing problem may be bad enough, but to recognize one and then do little about it is even worse.

15:50

The next issue that is close to our hearts is the rent registry. We were given to understand by some government officials that the contemplated rent registry would be a forward-looking one which would ensure that tenants would be paying no more than legal rent increases for their units and keep them informed of what the legal amounts were. At no time was it suggested to us that the rent registry would be used as an instrument of vengeance or intimidation.

What we are gravely concerned about after listening to various tenant spokesmen is that there is a potential for a witchhunt of such enormous proportions that thousands of owners may be exposed to a situation where they may be forced into receivership and bankruptcy. Some of these potential victims have appeared before this committee, and I personally cannot believe that any legislator would endorse this process unless his or her intention was to deliver the final coup de grâce to the private sector.

One of our greatest fears is that, without realizing it, we may be slowly sliding and entering into a police state in the housing field. We may as well face the problem in its proper proportions. It serves no useful purpose to sweep this problem under the rug and pretend that only a few bad apples broke the law and charged illegal rents. No one can provide any reliable data on the number of illegal rents in the province any more than it was possible to provide data on how many Americans broke the prohibition law in the early part of this century. Can you seriously believe that a governor or a state or a senator or a judge never took a drink at some birthday party or wedding? Yet they all broke the law.

The Vice-Chairman: We are going to get them this time.

Mr. Schwartz: Eventually the law was repealed, which is what happens to most laws that are unjust. They may last for a while and do some damage, but eventually people see through them. We believe that in most cases where rents are not in compliance with the law--what you might call the unsanctioned increases--they were taken out of necessity to be able to sustain the buildings, particularly in the cases of older structures. I must also emphasize that in many cases the rent levels were voluntarily agreed upon between owners and renters, with considerable improvements to the individual units often being the case.

This measure was also dealt with by the commission of inquiry into residential tenancy. Commissioner Stuart Thom stated on page 199 of volume 1 of his report:

"It may be asked whether it should be a policy of rent regulation to attempt to enforce strict and universal compliance. It is obvious that there are many different kinds of landlords. The corporate owner of a large urban complex is in a world apart from the family or individual that owns a duplex. It cannot be assumed that they are equally well informed about the rules or that they comply with rules to the same extent. It may also be that across the

province compliance with the requirements of the law governing rent increases is honoured more in the breach than in the observance. That comment is based on impressions gained from evidence and submissions to the inquiry and general newspaper reports and literature bearing on the subject. Often, however, failure to comply with the act may not be deliberate but may be due to ignorance or may reflect a friendly and co-operative relationship between the landlord and tenant."

It is regrettable that our system of rent review does not follow the principle of the Quebec system, where voluntary agreements between landlords and tenants are not only permitted but also encouraged. It is a matter of record that the vast majority of Quebec tenants and landlords are able to reach rental agreements between themselves without state intervention.

Professor William Stanbury of the University of British Columbia, testified before the Thom commission on this issue among others. Let me quote some of his statements. Speaking of the Ontario rent control system, he characterized it as being "essentially restrictive," but having some design characteristics that suggest it is a "moderate" system. This level of moderation was introduced "through passive enforcement and the tacit tolerance of illegal market adjustments."

Professor Stanbury continues: "There is a significant sector in the market, the amateur-idiosyncratic sector, which appears to have ignored controls to some extent. But this sector fulfils many of the control objectives without the usual costs associated with regulation. As long as the system remains restrictive, the survival of this sector depends on the continuation of a passive enforcement policy, that is, allowing for voluntary agreements which violate the regulations."

This passive enforcement was described by Professor Stanbury as a lubricant to the system. It may explain why the reduction in services, maintenance and repairs were not as significant as they could otherwise have been. It may also explain why so many landlords in Ontario have chosen to bypass the system and take rent increases commensurate with value offered. They did it not because they were criminals, but because the existing rent review system was essentially incompatible with the kind of operation they had, especially of the sole operator or the private smaller landlord who often did his own repairs.

It is significant that during a full decade of rent controls, no more than 15 per cent to 20 per cent of landlords applied for rent review in any given year. The vast majority stayed away.

If I may depart from the text again, about a year ago before the Thom commission, the Multiple Dwelling Standards Association was able to produce evidence of illegal rents. The examples presented made a very strong case that, had they gone through the system, they simply could not have continued and, most likely, the units would have been lost. This is what Professor Stanbury meant when he said they served a useful purpose. The useful purpose was to maintain the older stock and extend its lifespan at a reasonable increase in rent.

One of the cases I recall did so on the following basis. There were only eight units involved, and whenever a unit became vacant, the landlord would work weekends and nights, because he had another job. Within a month or two he was able to renovate the unit completely and then rent it at market. He could not do it within the system with a whole building review because the improvements were done just to the one unit.

16:00

Returning to my text, you may remember Mrs. Bruckler, the owner of a sixplex or two sixplexes. She was here last week, on August 26. She did go through the system once, and although she received an increase that was somewhat higher than statutory, it was almost all eaten up by her \$800 fee for a rent review consultant. She has never been back and does not intend to be. I suppose from the point of view of a rent review consultant, it is uneconomic to represent somebody with a small number of units. If I were a rent review consultant, I would probably not concentrate on any fewer units than 30, 40 or 50, and preferably 100 and more.

A small landlord from Newmarket who appeared before you last week had one triplex, one duplex and one bungalow. He told the committee he was left with a return of 6.7 per cent on his investment. Then he admitted that he thanked God for the voluntary agreements he was able to strike with his tenants. He admitted he was in an illegal position. Even being in an illegal position, all he was able to get out of this investment was a return of 6.7 per cent. If they throw the book at him for his illegality, what is going to happen to his 6.7 per cent return? It could be wiped out, and that would probably force him into a loss position.

Another small landlord who appeared last week was Mrs. Korol, the very first deputant. She told the committee about her plight. Her sin was to keep pouring in more and more money to pay off the mortgage at an accelerated rate. Of course, this was not compatible with our system of rent control. She and her late husband, upon vacancies, had taken some illegal rent increases, and now she is facing a situation where she has an order for a \$3,000 rent rebate. This woman does not have the resources to pay back the money, and she told me she may have to go to jail. It seems there is no other way.

Should you decide to go ahead and enact into law a restrictive rent registry, with all the punishments and penalties for breaking the law, you will force tens of thousands of rental property owners who have performed a most useful task in preserving the older stock to lose their equity in their buildings. Many owner-occupied buildings will go into receivership. These owners could well become part of the homeless problem.

Another landlord who appeared before you last week was Mrs. Zavitzianos, a property manager for a 160-unit building in North York. This building, which predates rent control by a very few years, is still owned by a European pension fund; obviously a long-term owner. If I remember correctly, Mrs. Zavitzianos indicated there has been a positive cash flow in only one or two years. The building has a number of illegal rents, and she indicated the owners are not willing to put any more money into the building. If it were hit by the registry, it would probably go into receivership.

Unfortunately, Mrs. Zavitzianos made her presentation with very few notes and forgot a crucial part of her testimony, which is how the building fell into an illegal position. We know about this part that is missing in her original testimony, because she told it before the Thom commission. The building came under rent review in 1976, with vast discrepancies in rent for similar units. An important cause of the negative cash flow was the inability to obtain the increases allowed by the order of the Residential Tenancy Commission.

Since the hearing took place in a year when equalization was not allowed, the legal increases could be collected from only those units with the

lower rents. The increases granted by the commission could not be obtained on the higher-priced units, as they were above market levels. The management decided to do its own equalization. It lowered the rents on the higher-priced apartments and added amounts to the lower-priced units. This is how this building arrived at its illegal position.

During the first four years of rent controls, no provision for equalization existed. It was first introduced in 1979 in Bill 163, the legislation that is now the Residential Tenancies Act. Unfortunately, it was suspended under Bill 198 in late 1982.

As I stated earlier, one of the biggest flaws in Bill 51 is the different treatment of buildings, depending on their age, pre-1976 or post-1976. We can understand why the government gave preferential treatment to the newer buildings and those yet to be built. Obviously, the government wants to encourage the builders to erect more units. Whether they do depends on a number of factors, and having an allowance for an adequate return is not the only consideration. As we have learned from experience, rules can be changed. They have been changed in the middle of the game before, and there is no assurance that may not happen again.

However, I think some builders may be willing to take a chance, go ahead and risk their own capital, provided they feel secure that the climate will be more conducive to taking such risks. There must be an incentive, but confidence is also crucial. Unfortunately, confidence cannot be legislated; it must be earned.

Supply will come from two sources: from new buildings, but also from maintaining the existing stock and preventing as much as possible the depletion of the older stock. Therefore, curtailing the depletion of the pre-1976 stock and extending its lifespan is crucial. Professor Smith also talked about that and mentioned the Barnard report. How many thousands of units were lost, according to a government study of older buildings? The study predicts that in 10 years we may lose 30 per cent of the lower-priced stock if we do not do something about maintaining and extending its lifespan.

16:10

Right now, hundreds, if not thousands, of units are being withheld from the rental market because of all the restrictions in the various acts, including the Landlord and Tenant Act, which is a chapter in itself, a chapter of horrors. I would need not an hour but at least a week to sit here and describe it. Since the Rent Review Advisory Committee or its successor may tackle this problem at some future date, the opportunity may arise some time in the future.

It must also be recognized that new buildings eventually become old, just as people do. Therefore, how the old ones are treated today may be an essential factor for any prospective builder contemplating whether to build rentals. Today's new building is tomorrow's older building, and today's older building is tomorrow's slum, unless their problems are adequately addressed.

Another landlord told the committee last week about hundreds, if not thousands, of rental units being added to existing buildings. I think his name was Irving Garten. A number of enterprising owners have been active in this field, and we believe they performed a most useful function.

Some of these extra units have been added through the legal process;

however, a large number of them are in an illegal position, including their rent levels. Should the potential witchhunt discussed previously materialize, thousands of such units will be lost and will disappear from the market. We wonder who will benefit from such a scenario.

Another tenant who appeared last week, an executive of a tenant association in a former Cadillac Fairview building, argued that the best solution for this building is to turn it over, "sell it," as he put it, without any cash outlay by the buyers, sell it to the tenants as a nonprofit co-op. As if that was not enough of a bargain, to buy a building with no money, he added that there must be a proviso whereby any rent increases should be limited to a one-digit figure, meaning that, regardless of any costs, rent increases must always be below 10 per cent.

Being a bank executive, as I recall, this gentleman could hardly have an income problem, yet his insatiable appetite for a great bargain seemed to me to border on greed. Perhaps this is all part of human nature, encompassing all the virtues and weaknesses. Nobody is perfect.

While on the subject of the Cadillac Fairview buildings, let me quote for you from a book by Keith Lehrer, assistant professor, department of administrative studies, Atkinson College, York University. In his 1984 study of the sociological perspective of private residential landlording, he reported on page 11:

"A perusal of the underground residential parking lot for one of the High Park buildings subject to the Cadillac Fairview sale showed a generous sprinkling of vehicles costing over \$30,000, including many Mercedes-Benz, Jaguars and BMWs, as well as the usual Corvettes and some more exotic sports cars (Alfas, Pumas, Lancias, etc.). Not one vehicle could have been classified as an old banger, the oldest being an impeccably maintained classic. Apart from a couple of boats being stored there, the rest of the parking area would have done credit to a well-kept, moderately expensive used car showroom.

"Noteworthy also is the relationship of the monthly lease costs of apartments in the complex, (\$250 and \$500) to the monthly lease costs of the more exotic automobiles (\$350 to \$700). To the extent that some tenants had leased their cars rather than purchased them outright, they were spending more on the finance of their automobiles alone (ignoring the maintenance costs etc.) than they had to pay in total for their accommodation."

This brings me to the subject of affordability. Perhaps no other word has been used and abused more often in all the arguments about housing than the word "affordable." What does it really mean? What is the proper definition? What is affordable to Mr. Eaton might not be affordable to me or to anyone in this room. What do we really mean when we say "affordable rents"? Let me take a stab at it.

If I had to define it, I would say affordable rents mean they are about 25 to 30 per cent of the total earnings of an average household. Since average household earnings are about \$30,000 per year, or \$2,500 per month, then it follows that \$650 a month would be an affordable rent. Yet I am sure some would argue that this amount should be no more than \$450. Obviously, \$450 may be all some can afford. Some could not even afford \$250. However, if we confuse the serious issue of inadequate income and poverty, which is a real issue in its own right, with the issue of supply of rental housing, we are

digging ourselves into a grave of such depth that we will never be able to resurrect ourselves.

If we have to provide rental housing, disregarding cost and true values, and offer it to anyone--I repeat, anyone--who claims to be poor, then we will all go broke. The province and its taxpayers are simply unable to foot the enormous bill of billions of dollars. We had better awaken to the sad reality that the demands for so-called affordable, but in reality cheap rents are being made in the name of the poor for the benefit of the nonpoor.

I want to say a few words about key money. Section 97 of Bill 51 prohibits a landlord in subsection (1) and a tenant in subsection (2) from collecting any additional charges over and above the lawful rent. The prime target of this section is the elimination of what is called "key money."

From all the evidence we have collected, a landlord is the last person who could cash in on the housing shortage by asking for key money, because a tenant could always demand it back or simply deduct it from the future rent. The historical beneficiaries of this phenomenon called key money are sitting tenants in desirable, underpriced apartments, such as Manufacturers' Life, to mention one.

Key money proves there is value in an apartment that is not being recognized in the rents or price. A potential renter is willing to pay the price. You can see their notices posted in laundry rooms from time to time, but the owner of the commodity, the landlord, is unable to collect it because of government intervention.

Were the landlord to raise his rents illegally he would break the law, as well as leave himself open to accusations of being a gouger. Yet a tenant in possession of a unit who sublets for a substantial up-front fee is not viewed as a villain at all. The system is encouraging them to do their own wheeling and dealing to the detriment of the rightful owner, who is in a sense being victimized and deprived of the benefits rightfully belonging to him and, eventually, the building. If these additional funds found their way into the hands of the landlord, a portion of them would be reinvested in the building to the benefit of all the tenants. When a departing tenant acquires these same funds, no improvement to the property is made.

16:20

The value is there, which is not being officially recognized, because the owner is being prevented from obtaining the proper amount that reflects the true value. In fact, key money is a skinning off of income from the building that deprives it of the very resources necessary for its good health. Key money is only the symptom and not the disease, and making the symptom illegal will not cure the disease.

Shortly after the Multiple Dwelling Standards Association was formed, another organization was formed. It was called the Federation of Metro Tenants' Association. We kind of grew up together. I was here the other day when the federation presented its brief. They talked about how angry tenants are. What are they angry about? Partly, I suppose, they are angry at the higher guideline statutory increase, which will be tied to inflationary trends, and the fact that it is going to be slightly more than one point higher than the actual inflation for the next year.

They are angry, but they always seem to be angry. I recall that when we

had two-digit, 12 per cent inflation, 22 per cent mortgages and a statutory guideline of only six per cent, one thought that these people would have been happy rather than angry. They were angry then too. What they wanted was a five per cent freeze across the board.

The animosity between landlords and tenants is an artificially created problem fostered by those who are there for their own vested interests. Their philosophy and aim is the elimination of the private landlord. Their solution is the creation of government-subsidized, nonprofit housing. They see confrontation between landlord and tenant as a class struggle. The adversarial landlord-tenant relationship is tailor-made for their class struggle philosophy.

The tenant advocates, some of whom have appeared before you, invariably claim that they speak for a great number of tenants. I have my serious doubts. I do not believe it. It was interesting when Michael Melling spoke for the Parkdale Tenants' Association. In his presentation, he said that 100 tenants showed up for a recent parent-teacher association meeting. He blamed the nice weather and the Canadian National Exhibition for the fact that not more showed up. I found it rather strange. I would have thought that bad weather would have been the cause. Nice weather and the CNE seem like weak excuses for such a poor showing. I doubt very much that they really speak for the great numbers of tenants they purport to speak for.

They also talked about adversarial attitudes. According to them, it is a must. Landlords and tenants must be adversaries. I am almost quoting him verbatim. He said that whenever one person rents an apartment for money from another person, immediately and automatically, an adversarial relationship created.

I think this is a giveaway. We believe just the opposite. We believe that landlords and tenants need each other. Without tenants, we are nothing. They are our clients; consumers if you will. We perform a service for them. If we had no tenants, then where would we be? Thank God for the relationship in the great majority of cases between landlords and tenants. It is a cordial, if not a friendly one.

A spokesperson for the Ontario Co-operative Housing Committee also appeared before you a week ago to beg for an exemption for the hundred or so rental units contained in co-op housing across the province. She said the burden of complying with rent review was too onerous to place on the shoulders of the management structure within each co-op. Yet I think we know that within each co-op building is a very sophisticated management structure with a wealth of experience in obtaining government grants and dealing with bureaucracy. If the Ontario Co-operative Housing Committee considers the rent review process too burdensome for it, is it easier for the elderly couple whose first language is not English?

Mrs. Lawrence also appeared last week. She testified that she was a tenant on Kennedy Road. She is the one who said that she had never heard of a poor landlord. I suppose she never heard of a rich tenant either. It is a pity that Mrs. Lawrence was not here the other day when Richard Cornblum appeared before you. He might have told her about a few rich tenants who earn \$50,000, \$70,000, \$80,000 or \$100,000 a year and pay \$350 a month. One did not even live there, just used it as a love nest, with no furniture, just a waterbed and champagne in the fridge. I am sorry she missed it.

Mr. Chairman: Friday afternoon is not a time to encourage members to engage in fantasizing. Will you just stick to your brief?

Mr. Schwartz: She was upset that the landlord deprived them of a recreation room that he turned into two additional units. It is interesting that she did not look at it from the point of view of the other people in search of a place to live. The occupants of these two extra units were probably very happy to find a place to live. Those two extra units which were added to the building should have been considered as a positive step. It is unfortunate that some people are rather selfish and all they care about is themselves and not the thousands of people who simply cannot find a place, the prospective tenant in desperate search for a home. The sitting tenants would rather hang on to a rec room, which they probably seldom use, rather than see more families find a home.

In conclusion, I would like to address the question that has been posed repeatedly by members of this committee; namely, will Bill 51, if passed with all the amendments that the government and members of this committee may add, encourage the supply of new units? Will builders build more apartments? I am convinced that some builders will re-enter the market; some will build. How many remains to be seen. However, it is conceivable that as a result of the harsh treatment of the owners of the older stock, there may be no net gain. In other words, the loss of existing older units may surpass any new construction.

This bill, with whatever incentives it may introduce, is only a first step. At the risk of being repetitive, I must emphasize once more that the two key words, the two key elements, are incentive and confidence. These are crucial elements necessary for the functioning of the private sector that historically was the main supplier of rental housing in this province.

No one can deny the achievements of the private sector in the post-war years. Regardless of what criticism may be levelled at the private builder and landlord, we in Ontario are one of the best housed people in the world. As for the public sector, it definitely has an important role to play; namely, supplying lower-priced accommodation for people earning lower incomes who are difficult to house. I sincerely hope that this committee will make the right decisions for the benefit of all the people in Ontario.

Mr. Chairman: Thank you, Mr. Schwartz. Mr. Schwartz has had a full hour of the committee because he made the case that he represents such a diverse number of interests. We agreed to give him twice as long as anyone else, which other people can complain about, but I thought it was appropriate. If the members have any questions--it was a good comprehensive presentation--I ask that they be brief because we now have reached the time for the next presentation. It would be unfair to cut into that one.

16:30

Mr. Knight: Thank you for your brief, Mr. Schwartz. You have been sitting here patiently almost every day, so affording you an hour was only appropriate.

I want to take you back to page 6 of your brief, wherein you comment on section 88, which concerns chronically depressed rents. I was not at the Rent Review Advisory Commission; you were. I am not privy to the various gives and takes involved in the suggestions by RRAC to the ministry in forming the bill, but you mention and in your tables you illustrate the length of time it would take to recoup up to 80 per cent of the maximum rent. Was one of your concerns

the vacancy rate? I notice you did not include that in your table. Do you have any comments on the applicability of that to shorten the time to recover?

Mr. Schwartz: In response to your question about the level of the threshold, the 20 per cent level threshold that appears in Bill 51 was never agreed to between the landlords and tenants within the RRAC agreement. It was added later and there is a proviso that upon vacancy and upon agreement with existing tenants, you can accelerate the increase, but to what level? In Bill 51, under the section with the 20 per cent threshold, you are perpetually kept that much below the average rent of similar units in the neighbourhood.

Mr. Knight: I agree with you; that may not have been part of the RRAC agreement, but under subsection 88(3), is there not provision to allow you to move up upon vacancy?

Mr. Schwartz: Instead of going at the rate of two per cent, which as I pointed out earlier is an insignificant amount, under subsection 88(3) we landlords can negotiate an accelerated increase with existing tenants and can take it all in one shot upon vacancy.

Mr. Knight: Your graphs do not illustrate that and are perhaps deficient as the provision is in the bill.

Mr. Schwartz: We could go into all kinds of versions. You will notice from the graphs that we could not foresee what the future statutory increases will be, so we simply took four per cent this year. We just guessed 5.2 per cent for 1987 and for the remaining years we left it at 5 per cent, which may not be the true guideline.

Mr. Knight: I want to point out to the committee that this provision in the bill was not indicated in the brief. I have a final question. Having been a member of RRAC, I do not think you would want to be one of the first of its members to indicate the negotiations were chronically depressing. I point to your comment on page 2, where you indicate that a number of issues were resolved in a positive way. Your brief does not seem to indicate what these were. Can you indicate some of the things your organization or you, as a representative on RRAC, were in favour of in the RRAC agreement?

Mr. Schwartz: I described the whole idea as daring and unprecedented and I also said there were a lot of positive things about it. On a personal level we have established a certain relationship among ourselves, landlords and tenants, which gives lie to the suggestion that there must be animosity between landlords and tenants. We proved just the opposite.

Having said that, being the representative of the type of landlord that composes the bulk of the landlords of Ontario, I cannot close my eyes to the glaring omission in Bill 51. I must speak about it. No one else will address it, and no one else has the feeling for it.

Some of my colleagues on the landlord side, who are very able gentlemen and who know a lot more than I do about building apartment buildings and accounting, perhaps do not have the same knowledge and understanding of the man and woman kind of operators, the unsophisticated ones. The Thom commission would then call them the "unwashed" ones.

Mr. Davis: I wish we had more time. I have a number of questions,

and Mr. Schwartz has identified some concerns we have been raising. Mr. Chairman, I know we are in a rush.

Mr. Chairman: Mr. Schwartz chose to use the full hour by digressing from his brief, so it is not the fault of the committee.

Mr. Davis: I would like to point out to you, Mr. Chairman--and you were you not in the chair the evening I was here--that we allowed members of a tenants' group more than an hour while my colleagues questioned them for about three quarters of an hour. I will ask my questions as quickly and as briefly as I can.

Mr. Schwartz, you have pointed out a deficiency in this bill as it affects small landlords. Do you want this bill passed?

Mr. Schwartz: I want the bill passed with amendments.

Mr. Davis: An amendment that recognizes the small landlords' plight? Let me ask you one more question. You pointed out the concern about illegal rents and the number of people who could find themselves losing their homes. One lady suggested she might go to jail, and I might suggest off the record--never mind, put it on the record--that may be a good place to go, because I am not sure how the courts would rule on that issue. Because a government makes a statement, that does not necessarily mean the courts are going to uphold the legislation.

You are a member of RRAC, and I understand RRAC is still meeting.

Mr. Schwartz: Yes.

Mr. Davis: Have you discussed the illegal rents? If not, why not? If you have, how does RRAC propose to deal with the large number of small landlords who may go under? How do the government representatives say they would like to deal with them?

Mr. Schwartz: Since the discussions are still going on and a number of issues have not been resolved, I cannot really say more than that.

Mr. Davis: That is fair. Can I ask you one more question then? Are you discussing the illegal rent problem?

Mr. Schwartz: Yes. That is part of the registry.

Mr. Davis: So there may be an amendment from RRAC to effect your concern?

Mr. Schwartz: There are a number of amendments coming. My understanding is that the government will be tabling them before this committee.

Mr. Davis: More?

Mr. Church: You will be having a package of them today.

Mr. Davis: We have not had a chance to go through them.

Mr. Church: There may be some technical ones; those are the ones of substance.

Mr. Davis: Would I be correct in saying that even if RRAC makes a recommendation with respect to landlords who are in a position of having charged illegal rents and who can be criminally prosecuted or charged, that amendment will not come?

Mr. Church: No. The minister's commitment is that if RRAC produces a proposed amendment that is consistent with the original agreement, he will bring it to the committee.

16:40

Mr. Davis: What if it is not consistent? Will he still bring it to us?

Mr. Church: The RRAC members themselves have agreed that, at least for the immediate future, they will stick to trying to refine the bill, to implement their original intention.

Mr. Davis: You have taken away their teeth.

Mr. Reville: Mr. Davis, would you like to buy a bridge?

Mr. Davis: You just take away the teeth of the committee. With all due respect, you create a committee and ask it to do something. There are some problems in the bill, which everybody has seen. Instead of asking them to try to address it and bring some recommendations to the committee before we close, we say: "Listen, guys, do not deal with that. Just try to refine it and leave the glaring things alone." I find it incomprehensible that the minister would suggest that.

Mr. Chairman: To put it in perspective, the committee will move the amendments it desires to move.

Mr. Davis: But they will not necessarily come to this committee. That is what Mr. Church said.

Mr. Chairman: No. I am saying that committee members themselves can move amendments.

Mr. Davis: I would like to hear what RRAC has to say on illegal rents. Thank you. I am finished.

Mr. Knight: Mr. Davis is against dialogue between landlords and tenants.

Mr. Chairman: We are talking about hearing further from RRAC during the last week. That has not yet been determined. The subcommittee will do that.

Mr. Davis: I would like to respond to Mr. Knight. I am against the government muzzling a committee it put together to try to deal with a piece of legislation. That is what I am against.

Mr. Chairman: It has not done that yet.

Mr. Schwartz: To complete that subject, which may help Mr. Davis, the one thing on that subject we have not been able to define yet--

Mr. Davis: Illegal rent?

Mr. Schwartz: Yes, illegal rent---is what is substantial and what is not substantial. That seems to be an area we have not been able to solve.

Mr. Chairman: I am sure when we get into the clause-by-clause debate, that will be a very interesting time.

Mr. Davis: It is probably just sloppiness on the part of the landlords.

Mr. Chairman: Thank you, Mr. Schwartz, for your appearance before the committee.

Mr. Schwartz: Thank you.

Mr. Chairman: The last presentation of the day and the week is by Mr. Abdelmessih. Welcome to the committee.

Mr. Abdelmessih: Thank you.

Mr. Chairman: Do you have extra copies of your presentation?

Mr. Abdelmessih: Yes. I gave about 20 copies to the gentleman.

Mr. Chairman: I am sorry. I have them here. They are being distributed now. Please proceed.

ABDO ABDELMESSIH

Mr. Abdelmessih: My name is Abdo Abdelmessih. I am here for two reasons. I was following the deliberations of this committee. I attended some of the meetings, and I read some of the articles that came out in the paper. In the early stages, when the Minister of Housing (Mr. Curling) was attending the committee, he made a comment that in his opinion the views representing the landlords were not typical of the average landlord in the province. That is one reason I am here; you will not find a more average landlord than myself.

The second reason is that for the past 10 years, since the introduction of rent control, I have never heard anybody speak on my behalf. I thought I would come and tell my side of the story. My side of the story is based on real experience as a small landlord.

My family and I own 20 units. For about 15 years, we saved a small sum and bought two buildings that were in a very bad state of repair. We worked very hard. Sometimes my wife used to go and clean the halls. I still do some of the maintenance in the building to try to save some money, because up to this time the buildings are still in the red. This landlord has owned and managed and maintained his pre-1976 buildings, 20 rental units in total, for the past 10 years. This submission is based on my experience over the past many years.

I have been through many rent review hearings, and I could take about half a day just to tell you about the horrors of going to rent review,

especially in the early years of rent review when even the board staff did not know what the legislation said. It is a very complex piece of legislation. When I gave up in the early years, I hired a lawyer. The lawyer himself made mistakes. After a long time, I think I know what rent control is.

My brief addresses five points. I apologize that we are here late in the afternoon. I know you must be tired. I will go through these five points very briefly.

First, the way Bill 51 treats pre-1976 buildings I think is straight and clear discrimination and a violation of my rights. I am treated differently from a person who owns a building that just happens to have been constructed after 1976. I do not know the significance of 1976. I strongly object to this.

The ultimate irony is that the landlord of the pre-1976 building has been losing considerably or, at the very best, breaking even for the past 10 years. The pre-1976 building is the one with depressed rents as opposed to the post-1976 buildings that have rents much closer to fair market value, not having been under rent control.

The gap between rents of the pre-1976 buildings and those of the post-1976 buildings must be eliminated. A landlord who owned his pre-1976 building for more than three or four years should be allowed at least a relief and a fair rate of return.

The second, a very important point to which I have devoted a considerable portion of my submission, is the concept of affordability, or subsidized rents or lower rents for everybody. I can assure you that rent control is not helping the low-income tenant and will not provide housing for prospective low-income tenants. The government is on cloud nine. The situation is getting worse; they know it, and it is beyond my understanding why they insist on going that disastrous route.

In theory, the idea of ensuring that everyone is provided with affordable shelter is admirable. However, as I have found through my own experience, burdening the individual landlord with the immense responsibility of subsidizing rents through the rent control system can only be a severe detriment to the practical application of the theory.

It is, I believe, comparable to selecting a few members of society to be responsible for paying welfare, for providing food for the hungry and jobs for the unemployed. These basic necessities of life and the provisions thereof are social problems, managed and subsidized by the government through taxes. Shelter is a basic necessity, and thus the lack thereof is a social problem and should be subsidized by every taxpayer, not just by me.

16:50

Worse still, in the present realities it is the poor landlord who is actually subsidizing his affluent tenants, and I will give you a clear illustration of this statement in the few minutes to come.

Because of rent controls, those who are really in need of lower rents are suffering the most and will continue to do so. On account of the severe shortage of rental units, there are many applicants for every available unit. I can tell you my most recent experience when two units became vacant in my building. This happened during the past three months.

When a unit becomes available, we put an ad in the paper, usually for three days, because we know it will be rented within a day. I have a full-time job and my wife has a full-time job, so the telephone machine in the house answers the inquiries. The first day the ad was in the paper, we came home and the register in the machine said 28, 13, 17. That was the number of calls coming just for that apartment. We returned the calls and questioned the prospective applicants. The choice was immense. We could pick and chose to whom we wanted to rent that apartment. We had all kinds of people looking for an apartment, so obviously we tried to select the best, and that includes the person who can afford it most. As a result, our tenants are getting richer and richer.

On the following page, I have shown you a table of a sample of 14 of the tenants occupying apartments in our building. These are data compiled from the information in their applications.

Tenant 1 is a doctor, a specialist. His rent is four per cent of his income. Tenant 2, a lawyer. His rent is seven per cent of his income. Tenant 3, a senior manager, pays 11 per cent; tenant 4, a financial anaylsyt, 14 per cent; and tenant 5, an accountant, 15 per cent.

Tenant 6 is a businesswoman, president of her own firm, who pays the rent with a cheque from her company. Obviously, it is tax-deductible. Her rent is 10 per cent. The list goes on. There is not a single tenant who pays more than 15 per cent of his income on rent. The average rent is 10 per cent.

The tenants' groups--I read this in the paper all the time--are painting a picture of the tenant as a frail, little old lady on a fixed income or a single mother with nowhere to go. Of course these tenants need help. I am the first to support legislation and a system that will address this problem and help them, but my tenants, and the majority of tenants, are as different from that picture as is possible, and need no financial aid whatsoever, being affluent professionals.

If you can spare a few minutes, you can come and visit the parking lot in our building and see the Porsches and the four-wheel-drive cars. These are second cars of tenants who own two cars, a Porsche and a four-wheel-drive Jeep. You can see the Cadillac-Sevilles, you can see the Audis and a few BMWs. The list goes on and on and on.

The range of the monthly rents of these tenants, as shown in this table, is from \$359 to \$981, while the range of income is from approximately \$25,000 to \$250,000 per annum.

I will support the concept of affordable housing. I will be the first to welcome in my building, those people who are in need of housing, but not everyone. These are not affordable rents. These are bargain rents.

Rent control is discouraging these affluent tenants from buying their own homes or condominiums, which is where these people should be. They should be out buying the condominiums in the city, freeing these units for people who need to live in them. These affluent tenants are reaping the benefits, nontaxable, of the depressed rents. Should I subsidize them? I do not see why.

Bill 51 allows tenants a voice in deciding the level of maintenance and expenditures on the building, and I cannot understand the wisdom behind this. In addressing some of these finer points of Bill 51, I am at loss to

understand the justification for allowing tenants a significant voice in the management of my business.

Tenants are transients. They have no inherent interest whatsoever. All they want is the apartment; they do not want the landlord to interfere in it. They want plenty of hot water, the parking lot clear at all times, and whenever they want to leave, they leave. They have no commitment to the building, no inherent interest in the investment value of my property, and therefore, they should not affect the long-range management plans.

The extremely low vacancy rate, the continuing deterioration of buildings, and the near halt in further building can never be corrected unless landlords of both pre-1976 and post-1976 buildings are allowed to achieve a reasonable return on their equity. Otherwise, I know I will be tempted to invest my capital in Treasury bills or investments outside this province where I am guaranteed a fair rate of return. I have already started doing this.

As a small landlord who has invested in the future of this province, I find the rent control system is particularly against me. When a small landlord such as myself uses his own labour and knowhow to improve his building or to upgrade it through better maintenance, the rent review commissioner allows him \$5 per hour. At my last rent control hearing, I was allowed \$5 per hour for the time I spent in maintaining my building. This landlord does not know of any worker who charges less than \$25 per hour or a minor service call that costs less than \$60 per hour.

When you go to rent control, if you got a plumber to fix a washer and paid him \$60, they will accept the expense of \$60. But if you say you changed the washer, you will get \$5.

It is the small landlord who needs help and protection in this province. It is not the tenant. Thank you very much.

Mr. Chairman: When you said tenants are transients, I reached over and picked up the Oxford Dictionary, which defines a transient as follows, and I would like to know if you agree with this: "1. Not permanent; quickly passing away, fleeting; of short duration, momentary, hasty; unessential, serving only to connect. 2. Temporary visitor, worker, etc."

Is that how you regard your tenants?

Mr. Abdelmessih: From my experience, I have tenants who have stayed with me for five years, seven years.

Mr. Chairman: Are they transients?

Mr. Abdelmessih: No. They are not transients.

Mr. Chairman: Your brief did not make a distinction between that tenant and anybody else.

Mr. Abdelmessih: The majority of my tenants move along very quickly.

Mr. Chairman: Do they sign one-year leases?

Mr. Abdelmessih: They sign one-year leases, and then they give me

notice after three months. They take their leases and leave. I have experienced this more than half a dozen times.

Mr. Chairman: But you do not regard all tenants as transients?

Mr. Abdelmessih: No.

Mr. Chairman: I see.

Mr. Abdelmessih: Maybe my choice of words is not very good, but they do not have a permanent commitment.

Mr. Chairman: It is just that if I were a tenant, I would be upset with a landlord who regarded tenants in that way. I am not a tenant in my real life. I am one down here in Toronto. I am fleetingly here.

Mr. Reville: A transient.

Mr. Chairman: I am a transient in Toronto, for which I thank my stars.

Are there any questions of Mr. Abdelmessih? If not, thank you, sir, for your presentation this afternoon. That concludes the public hearing process for today and next week. The next time we gather together, we shall be in Thunder Bay, on Tuesday, September 16. The flight leaves here at 8:50 a.m.

Interjection.

Mr. Chairman: The flight leaves here. You are already there, and you do not have to worry about this, Mr. Hennessy. We shall gather at that time.

The committee adjourned at 5:03 p.m.

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STANDING COMMITTEE ON RESOURCES DEVELOPMENT

RESIDENTIAL RENT REGULATION ACT

TUESDAY, SEPTEMBER 16, 1986



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

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Substitutions:

Gordon, J. K. (Sudbury PC) for Mr. Taylor

Hennessy, M. (Fort William PC) for Mr. Pierce

Jackson, C. (Burlington South PC) for Mr. Stevenson

Also taking part:

Curling, Hon. A., Minister of Housing (Scarborough North L)

Clerk: Decker, T.

Staff:

Richmond, J. M., Research Officer, Legislative Research Service

Witnesses:

From the Thunder Bay Home Builders' Association:

Christiansen, J.

From Northwestern Property Management:

Marsh, V., Resident Manager

From Poli Rentals, a division of Poli Fiberglass Industries (Thunder Bay) Ltd.:

Chrusz, D., Director of Operations

Individual Presentation:

Chrusz, D., on behalf of P. Sarti

From the Lakehead Social Planning Council:

Haney, S., Chairman

From the Rent Review Advisory Committee:

Anaya-Torres, P.



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

* * * * *

BEFORE:

Floyd Laughren	-	Chairman
Joan Smith	-	Member
Donald Knight	-	Member
Joe Cordiano	-	Member
Herb Epp	-	Member
David Reville	-	Member
Jim Gordon	-	Member
Mickey Hennessy	-	Member
Leo Bernier	-	Member
Cam Jackson	-	Member
Jim Foulds	-	Member

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Sitting in the Odin Room, Valhalla Inn Hotel,
1 Valhalla Road, Thunder Bay, Ontario on
Tuesday the 16th day of September, 1986

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Nethercut & Company Limited,
185 Richmond Street West,
Toronto, Ontario
M5V 1V3

Per: S. Shambleau, C.V.R.

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1 --- Upon commencing at 1:20 p.m.

2 THE CHAIRMAN: The Resources
3 Committee will come to order.

4 Before we start, I should introduce
5 the Members of the Committee to people in Thunder
6 Bay. On my far left is Herb Epp from Waterloo North,
7 David Reville from Riverdale in Toronto, Don Knight
8 from Halton/Burlington, Joe Cordiano from Downsview,
9 Cam Jackson from Burlington South, Joan Smith from
10 London South. I am Floyd Laughren from Nickel Belt,
11 The Honourable Alvin Curling, who represents the
12 riding of Scarborough North. I don't believe you
13 need to be introduced to Mickey Hennessey from Fort
14 William, or, I'm sure, Leo Bernier from Kenora. Jim
15 Gordon just stepped outside the room. He is from
16 Sudbury, and Todd Decker is the Clerk of the
17 Committee.

18 Bill 51, an Act to provide for the
19 regulation of rents was passed in second reading by
20 the Legislature. It was referred to this Committee for
21 Public Hearings and clause by clause debate when the
22 Public Hearings have concluded. We have had a couple
23 of weeks of Hearings in Toronto and we -- this is
24 our first sojourn out of Toronto and then we go to
25 Kingston and Ottawa later this week, and London,
Ontario and Windsor next week and then back to
Toronto for another week of Hearings and then when
the Legislature goes back after Thanksgiving, we will



1 then get into the clause by clause debate. Since
2 there are over a hundred clauses and many, many
3 amendments being brought forward, it could be a
4 lengthy process in which we find ourselves engaged.

5 Because of the time restrictions in
6 the various communities, we established early on that
7 we would have half hour presentations. So, in
8 Thunder Bay, the first presentation is from the
9 Thunder Bay Home Builders' Association. Are they
here now?

10 Take a seat and be comfortable,
11 please. We welcome you to the Committee.

12 MR. CHRISTIANSEN: Thank you.

13 THE CHAIRMAN: It is very close
14 and a small room and I know that some people are
15 bothered by the smoke. I don't think we should feel
16 the need to prohibit smoking, but if people
17 disciplined themselves, it would be appreciated by
many, I am sure. Okay.

18 MR. CHRISTIANSEN: Mr. Chairman,
19 ladies and gentleman, my name is Jim Christiansen
20 and I am representing the Thunder Bay Chapter of the
21 Ontario Rental Policy Organization of Ontario and
22 the Thunder Bay Home Builders' Association. It is
23 encouraging to see a government committee to take
24 the time and trouble to come to Thunder Bay and hear
25 first-hand the problems that we face, the problems
that are faced by both developers and tenants.



1 Before I begin my formal presenta-
2 tion, there are a few comments I would like to make
3 to put that presentation into context. After
4 reading newspaper reports on this Committee in
5 Toronto Hearings, one would get the impression that
6 neither the landlords nor tenants like this Bill.
7 Transcripts provided us by them of the proceedings
8 provide a different picture. Tenants appearing
9 before the Committee have largely been those in the
10 lower income level who have said they can't afford
11 the rents now and Bill 51 will make that situation
12 worse. They are right, for those who need help
13 now there's no relief in this Bill. Their situation
14 won't be improved or will be made much worse and it
15 is obvious that at some point in time in the very
16 near future, we must address the problem with some
17 solution other than rent controls. The intent of
18 this Bill is not really to help those people. The
19 Press has reported Members as saying all landlords
20 to date have said they won't building if Bill 51 passed
21 to reflect their rental agreement. My reading of
22 the transcripts gives me quite a different picture.
23 My reading is almost all industry saying Bill 51
24 is an important first step towards creating a supply.
25 I stand with them in that Bill 51 is essential if
this province is to afford a supply at prices not
out of proportion. This is especially true in
Thunder Bay, although currently it would appear on



1 the surface that our problem is affordability, not
2 supply. Thunder Bay is a special situation,
3 wages are low, rents are comparatively high, and a
4 young person here might expect to earn an average wage a
5 year of about \$18,000.00. Rents for uncontrolled
6 one-bedroom apartments, however, average between
7 \$465.00 and \$550.00 a month and, as a result, young
8 people double up in the units and wait for their
9 chance at a rent-controlled apartment, but the
10 vacancy rates in some of the buildings are high
11 because of this phenomenon. Moreover, population
12 growth is fairly static. That means Thunder Bay is
13 basically closing into the situation without much
14 hope of improving it but the irony of the situation
15 is the young people earning relatively low wages,
16 people who need older, less expensive stock are
17 frozen out because those units are occupied by
18 people who can well afford to pay more for accommo-
19 dation but choose not to. Trading up is a normal
20 market trend which is lost on rent-controlled members.
21 Bill 51 is a small step toward resolving
22 inequities and controls instituting resulting in
23 supplementary programs for this final
24 resolution.

25 I would like to go now to the
paper you have in front of you.

"It is the opinion of the majority
of the Members of the Thunder Bay



1 Home Builders' Association that Bill
2 51 should be eradicated. Thunder
3 Bay currently has a 12-15 months
4 supply of rental accommodation
5 available according to a report
6 earlier this year from Canada
7 Mortgage and Housing Corporation.
8 Although most of the new housing was
9 created by incentive programs such
10 as Ontario's convert-to-rent and
11 renterprise programs, we have still
12 seen some privately initiated
13 structures come on stream in 1986.
14 This is a significant sign that
15 investors are reacting to last
16 year's apparent shortage of rental
17 units and to the potential to earn
18 a return on investment capital
19 greater than can be earned at
20 financial institutions. We believe
21 that our oversupply is also tied to
22 a reduction of job opportunities in
23 Thunder Bay and the spring report
24 from Canada Mortgage and Housing
25 Corporation has suggested that no
new rental units should be created
until the current supply is absorbed.
The current rental unit supply



1 exists in post 1975 projects
2 including non-profit housing in
3 semis and converted hotels. These
4 units rent from a low in the open
5 market units of \$465.00 for a one
6 bedroom suite to a high of \$600.00
7 in a high-rise that includes
8 utilities in the rent. There
9 appears to be a problem of afford-
10 ability for the rentors in that
11 the average wage in Thunder Bay is
12 approximately \$18,000.00 per annum
13 and it requires an annual income of
14 about \$22,000.00 to comfortably
15 afford the lowest one bedroom rent
16 rate available.

17 This phenomena requires that either
18 the single rentor seek out a room-
19 mate or try to wait until an opening
20 in a pre-1976 building where the
21 rents will accommodate their income.
22 Unfortunately many of these rentors
23 cannot wait and are temporarily
24 housed in suites too expensive for
25 them until they can trade down to
affordable accommodation.

We are certain that tenant advocates
can argue that if rent controls were



1 universal, that the open market rents
2 would not have been too high for
3 this unfortunate rentor but we can
4 also argue that we cannot economi-
5 cally place this rental unit into
6 the market place at the affordable
7 lower rent. For example, a bachelor
8 suite in the non-profit convert-to-
9 rent project, rents at \$465.00 and
10 the \$18,000.00 per year income
11 earner should be subsidized to
12 afford this rent. A two bedroom
13 unit in the same project requires a
14 combined salary of \$26,400.00 for
15 affordability.

16 The answer to our problems in
17 Thunder Bay does not lie in control-
18 ling the rents. The market has
19 already done that. We have a problem
20 in providing a suite at an economi-
21 cal rent because of our costs, to a
22 rentor that has a problem finding an
23 employment opportunity that will
24 allow an affordable apartment. In
25 addition to market influence, we
also find that most of the post-1975
rental projects are already control-
led through Canada Mortgage and



1 Housing Corporation multi-family
2 housing programs such as the
3 assisted rental program of the late
4 1970's up until the current programs
5 of the 1980's.

6 We would also like to bring your
7 attention to the direction of the
8 Minister of Finance of the day on
9 October 14, 1975 to the provinces
10 that "New structures where rents
11 have not yet been established would
12 be exempt from control for at lease
13 5 years after the completion of the
14 building in the event that rent
15 control should be in effect for that
16 length of time. This is to ensure
17 an adequate incentive for construc-
18 tion of new rental accommodation."As
19 home builders, we request that this
20 direction be upheld as we require
21 this grace period to allow projects
22 to stabilize in the market place
23 before controls are implemented. It
24 is not adequate to allow a project
25 owner a hypothetical economic rent
when the market rent is lower than
the economic rent. Even a predeter-
mination of rents allowable on a



new project may not yield market rents because of the time lag between project planning and the first occupancy date.

It is our opinion that these factors must be seriously considered should Bill 51 receive royal assent and it is still our hope that it never does.

We must now turn over our intention to the "what if" question should our legislators succeed in receiving royal assent.

We realize that this Bill in its present form as Bill 51 and its predecessor Bill 78 has sparked a considerable amount of interest both from tenants and landlords. We are grateful to see that the consultation process created the residential housing advisory board and its subsequent report to the Honourable Alvin Curling, Minister of Housing. This report and Bill 51 have been reviewed and it is obvious that many people have dedicated their personal time to ensure that "fair and equitable" treatment is available to



both tenants and landlords. Through-
out the controversial period both
sides have been able to state their
positions to each other in committee
meetings and through the media .
This has enabled both sides of this
controversial issue to bring Bill 51
to its present form. There is
obviously some fine tuning to be
done before Bill 51 receives royal
assent and even after its passing
it will require a constant review in
the face of changing times. Our
association believes that Bill 51
presents an improvement over existing
legislation to rent review in Ontario,
should it be implemented and we are
certain that our legislative commit-
tee will ensure that major agree-
ments of the Rent Review Advisory
Committee will be carried through.
We respectfully submit our brief
outlining 13 items to be considered
by the Standing Committee and we
thank you for the opportunity to
present it."

I have put these issues in point form and will go
through them.



Issue:

"The rental registry described in Bill 51 adds an unreasonable expense to an increasing Ontario Government bureaucracy at the expense of the taxpayer."

It is our position that:

"Media reports estimate that rent controls could cost between 250 and 300 million dollars per year to implement. We suggest that tenant protectionism is becoming much too costly for Ontario's taxpayers for the benefit likely to be achieved. Perhaps, this money could be better spent in rent supplements, non-profit housing or co-op housing programs or in Ontario Housing Corporation built and operated units. This will allow the private sector to operate independently and take their chances against this competition and to react to special markets. There is no doubt that the private sector cannot meet the needs of the low income earner and it is unreasonable to believe that Bill 51 will cause rental units to become affordable to these tenants whom need assistance."



Issue No. 2: The purpose of Bill 51 appears to try to provide protection for tenants from unjustified rent increases and to provide security of tenure for renters.

Position: Studies have shown that rent controls have not gone to the persons whom should benefit from them. Professor Larry Smith did an independent study on rent controls between 1975 and 1982 and it showed that 1/5th of the persons that you wanted to benefit from a rent controlled unit were displaced by high income earners and that the same 1/5th were required to rent in uncontrolled units at market rents. Lower income tenants are better served through Ontario's rent supplement program.

Issue No. 3: A landlord needs the security of a one year lease in order to break even on turnover costs. When a lease is signed at the current allowable rent he/she is not allowed to raise the rent for 12 months. If the last increase date was six months before the signing of



the yearly lease, it will mean that the rent will not be able to be raised during an 18 month period.

Position: There must be an escalator allowed to permit yearly leases to rise to the statutory amount or the amount determined by an order of the Minister at any time during a yearly lease but not to be less than 12 months from the previous date of rent increase.

Issue No. 4: Rent review legislation has severely affected the market values of Pre 1976 rental complexes to a great degree and Post 1975 buildings to some degree.

Position: The general trend of real estate investment is that of appreciation. In the resale of residential rental properties we have seen sales during the 1980-1985 period that reflect a depressed market and show a lack of confidence in this type of real estate. Bill 51 exacerbates this depressed market. It has also caused properly owners to seek out and try to implement devious schemes to by-pass the rent review system. I.E. Seaway-Greymac transaction after the dumping of the Cadillac-Fairview apartments which Bernard Ghert has stated was due to rent controls and their



1 desire not to operate under the
2 system.

3 Issue No. 5: The residential com-
4 plex cost index does not appear to
5 have any allowance for regional
6 disparities.

7 Position: This index will be
8 affected by the Metro Toronto
9 operating costs which may not be
10 applicable to other municipalities.

11 Issue: Chronically depressed rents
12 do not necessarily exist in pre-1976
13 buildings.

14 Position: Many northern towns that
15 experience boom-bust cycles due to
16 their one industry nature or
17 itinerant construction populations
18 could find rental unit owners
19 actually lowering or maintaining
20 rent levels that do not yield a
21 10% return on investment or may even
22 show a loss. If we are going to
23 make provisions in Bill 51 to pro-
24 tect tenants against unjustified
25 rent increases in these towns, we
must also make an effort to allow
landlords to recover to a reasonable
return on investment as soon as the



economy of these boom-bust towns stabilizes. Sault Ste. Marie, Sudbury, and Ignace are examples of towns that have or will experience chronically depressed rents in post 1975 buildings.

Issue No. 7: Under Section 88 (2) this section discriminates against purchasers of pre 1976 buildings unless they had purchased them before November 1, 1982. This could perpetuate a chronically depressed rent for a select few and will make future sales of pre 1976 buildings after January 1, 1987 unlikely unless or until the current owner applies for an order to adjust for chronically depressed rents. Many landlords that built and retained ownership of pre 1976 buildings have never applied for a rent review and many have never increased rents at the statutory rent increases allowed.

These landlords were quite satisfied to accept minimal increases because they did not understand the rent review procedure, were not fluent



1 enough in English to express their
2 point of view, or had a considerable
3 amount of invested equity and/or
4 sweat equity.

5 Position: The definition of chrono-
6 logically depressed rents should be
7 expanded to include other cases
8 that have occurred due to regional
9 problems and timing problems.

10 Issue No. 8: Under Section 7A
11 landlord is unable to collect a rent
12 increase in excess of the limits in
13 Section 68 until the order is
14 granted.

15 Position: This is a direct reversal
16 of the current Residential Tenancies
17 Act provision and will create
18 numerous difficulties for landlords
19 to seek out tenants that may have
20 moved out before the order to raise
21 rents is granted. This applies to
22 both rent rebates if the amount is
23 granted is below the statutory
24 amount or rent increases if the
25 amount is higher. It should be the
responsibility of the tenant to seek
out the landlord to receive an
adjustment when the order is granted



if their tenure has ceased.

Issue No. 9: Thunder Bay's rental production has created a 12-15 months' supply of rental housing units in spite of impending rent control legislation. Many of these units have been created because of the assured housing for Ontario programs implemented in 1986. These programs already put controls on the nearly 300 rental units created and further controls through Bill 51 are likely not required. In addition, many of the rental units built in Ontario since 1975 have been built under operating agreements federally administered by Canada Mortgage and Housing Corporation and the controls contained therein are not consistent with Bill 51 and in addition are not required.

Rental units built since 1975 are largely controlled through programs and operating agreements. They indicate that many builders have been reluctant to create rental housing without incentives and that



1 additional controls through Bill 51
2 will not enhance security of tenure
3 for tenants.

4 Issue 10: Long delays are experien-
5 ced subject to final passage of
6 Bill 51 and the effective dates are
7 unreasonable.

8 Two rent review applications are now
9 going to be required to raise rents
10 back dated to August 1, 1985. It is
11 expected that a large number of
12 applications are going to be
13 received and time delays in proces-
14 sing will occur. The effective dates
15 are now not realistic and should be
16 advanced.

17 Issue 11: Residential rentals
18 standards. They will not work unless
19 they are minimal in nature and con-
20 form to current municipal by-law and
21 occupancy standards.

22 Each occupied building has a differ-
23 ent tenancy profile. Some tenants
24 are very neat, some very slovenly,
25 and some projects are constantly
vandalized by tenants or their
guests and some are never vandalized.
The standards must therefore relate



only to minimal standards that apply to health, fire safety and municipal occupancy standards already in existence to avoid frivolous and vexatious standards complaints.

Issue 12: On October 14, 1975, the Minister of Finance said in the House of Commons: The Provincial Governments are being asked to undertake responsibility for implementing a program of rent control based upon the following principles,

1. Increases up to a certain percentage would be permissible
2. Increases above this percentage must be justified on the basis of increased costs
3. New structures where rents have not yet been established would be exempt from control for at least five years after completion of the building in the event that rent control should be in effect for that length of time.

This is to ensure an adequate incentive for construction of new rental



accommodation.

Position: Politically expedient changes to legislation such as we see in Bill 51 causes the private sector to lose faith in our economy and our ability to do business with a minimum of intervention by our legislators. In order for builders to retain confidence, Bill 51 must continue to reflect public promises that a private rental market will be available. We note that almost all rental construction today is tied to an incentive program to eliminate the difference between economic and market rents. No trading up by rentors with increasing personal income is continuing to stifle the market and is not making lower priced accommodation available to those needing it. Bill 51 appears to assume that all parties will be satisfied in accordance to the 'fair and equitable' rule, however, we as an association of home builders will continue to seek out other opportunities to build accommodation other than



1 rental housing for our own invest-
2 ment purposes. We will certainly
3 continue to play the role of the
4 builder where construction profits
5 are available but we are not keen
6 on risking capital into an industry
7 that continues to overprotect
8 consumers through increasingly
9 complicated legislation. If we are
10 to see Bill 51 enacted as it
11 appears to be inevitable, our
12 legislators must exercise the
13 greatest amount of caution to ensure
14 that the Residential Housing Advisory
15 Board's recommendations are passed
16 to improve our system and restore
17 confidence in a market that has
18 seriously deteriorated in the face
19 of changing political whims.

20 The last issue is: Prudent property
21 managers recognize and provide
22 replacement reserves that are
23 funded to offset future capital
24 expenses.

25 The building operating cost analysis
should provide for a reasonable
funded replacement reserve to
offset future costs. Many of the



1 N.H.A. mortgages administered by
2 Canada Mortgage and Housing
3 Corporation operating agreements
4 contain provisions for funding of
5 replacement reserves. Rent review
6 legislation before Bill 51 did not
7 recognize these reserves which had
8 to remain with the project and
9 which were, in fact, to be recog-
10 nized in the sale of projects
11 containing these reserve allowances.
12 Predeterminations will certainly
13 assist property owners in knowing
14 what their rent potential will be
15 but a funded replacement reserve
16 will provide the funding and the
17 impact of the rent increases due to
18 capital expenses will be minimal."

17 That is as fast as I could read it, sir.

18 THE CHAIRMAN: Thank you, Mr.
19 Christiansen. A couple of Members have questions.
20 Mr. Hennessey first.

21 MR. HENNESSEY: Thank you very much.
22 It was very, very well thought out. Living in
23 Thunder Bay myself and knowing the cost of building
24 a home or building an apartment building is much
25 more costly in Northwestern Ontario than in the
southern part of Ontario.



1 MR. CHRISTIANSEN: I don't really
2 know that, Mickey. We know that our costs are at a
3 level right now where we have to get the rents I
4 have mentioned in there in order to become economi-
5 cally viable and that difference in the wages that
6 are achievable here and perhaps that are achievable
7 in the Metro Toronto area makes a big difference,
8 really. We are a working man's town and we just
9 don't get the kind of wages that can afford those
higher rents.

10 MR. HENNESSEY: Is the building,
11 in its present form, satisfactory?

12 MR. CHRISTIANSEN: In principle,
13 yes, it is. We mentioned that before and we agreed
14 that it is the first step towards getting us some-
where to get some legislation that we can live with.

15 MR. HENNESSEY: You mentioned also
16 about people making \$18,000.00 a year. I know, from
17 the number of call I get, and I guess my colleague
18 Mr. Foulds from people looking for homes the
19 percentage is very, very low, it may be less than
20 one percent in the City of Thunder Bay. Never a
21 week goes by that you don't get four or five calls
22 a week from people looking for housing, and you
23 mentioned something about people in the low income
24 brackets. There is people in low income brackets
where it is very, very low.

25 Would you be in favour of the



1 government subsidizing people at a certain level of
2 income, subsidizing their rent?

3 MR. CHRISTIANSEN: Yes, I believe
4 the Ontario Rent Supplement Program does that quite
5 adequately. I guess our problem is how to get
6 enough money to do it effectively and to sort out
7 the people that truly need the assistance.

8 MR. HENNESSEY: What is adequate
9 now, sir, in your thinking, is not adequate enough
10 for these people?

11 MR. CHRISTIANSEN: No.

12 MR. HENNESSEY: They just haven't
13 got enough money. By the time they get their
14 allowance, whatever they get every month, it is not
15 enough. By the time they pay their rent, you get
16 them having to pay the first and second month.

17 MR. CHRISTIANSEN: That is right.

18 MR. HENNESSEY: It makes it very,
19 very difficult for them to do this. Would you be
20 in favour of the government subsidizing people to
21 a greater extent, perhaps Federal and Provincial and
22 maybe Municipal?

23 MR. CHRISTIANSEN: Yes, I think
24 where the need is demonstrated that is quite a
25 correct approach.

MR. HENNESSEY: Is there any other
suggestion you would like to see changed. This is the rea
why this committee is here. It is an all party



1 committee from the three parties and, therefore, this
2 is the reason why. It was due to the NDP Party and
3 our party that this committee is here because we were
4 not too happy with the government's present format.
5 That is why we are asking for any suggestions.

6 MR. CHRISTIANSEN: I think I have
7 expressed most of the concerns in the 13 issues I
8 have put in here. Not having sat on the committee or
9 the Federal Advisory Committee, I am not entirely
10 familiar with what I see except with the media, what
11 comes out to me.

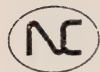
12 It appears there has been so much
13 work that has gone into this through the Thom
14 Commission, and recommendations set out, I followed
15 that through to see if they were comparative and
16 in most cases they were. Getting up to this point
17 in time, I think there has been a lot of work. This
18 is strictly a matter of fine-tuning, but the
19 principles are there.

20 MR. HENNESSEY: Thank you very much.

21 THE CHAIRMAN: Thank you, Mr.
22 Hennessey.

23 Mr. Gordon?

24 MR. GORDON: Mr. Christiansen, I
25 wasn't too sure when you were reading your brief.
At the beginning, it seemed like you would just as
soon not see Bill 51 passed by the House, but as
your brief went on it became increasingly evident



1 that you were really espousing the point of view
2 of a Rental Advisory Committee; is that correct?

3 MR. CHRISTIANSEN: Yes. I believe
4 that this is true, but in the past we have seen
5 many towns that don't require rent controls at all.
6 Perhaps there is one that does and I don't know
7 which one it is, so I do not know. As a result of
8 that, it looks like it is going to be inevitable
9 that we are going to be following the legislation
10 that serves the need of the majority of people
11 where we live and, for that reason, I have to look
12 at it from both the context of I do not like to see it
13 but if we are going to see it, let's make it work.

14 MR. GORDON: You are probably aware
15 of the kinds of submissions that were made to this
16 committee that Bill 51, unless there are significant
17 changes made in it, it probably isn't going to fly
18 and perhaps what you suggested at the beginning of
19 your brief could very well be a fact.

20 Are you aware of that?

21 MR. CHRISTIANSEN: Yes.

22 THE CHAIRMAN: Mr. Epp?

23 MR. EPP: Well, I was going to
24 touch the same thing. It looks like you are Paul on the
25 road to Damascus and had this conversion, because
26 in the first case you've said you wanted to
27 eradicate it and then you have a lot of support
28 for it, but your Point 9, I think, Mr. Christiansen,



1 if I can find it here, you deal there with public
2 housing and you are probably aware that this is
3 exempt from the Bill?

4 MR. CHRISTIANSEN: Yes.

5 MR. EPP: It really doesn't relate
6 directly to the Bill that is before us.

7 MR. CHRISTIANSEN: That is correct.

8 MR. EPP: Thank you very much.

9 THE CHAIRMAN: Mrs. Smith?

10 MRS. SMITH: Thank you, Mr.
11 Chairman.

12 I think you addressed the fact that
13 this is not a solution for many people and I suppose
14 you are aware that the government already has the
15 biggest program there has ever been, a great percent
16 bigger than just specialized housing for those
17 with income problems, probably moving as fast as it
18 can move without making a lot of mistakes.

19 Would you agree the thrust here is
20 being done and we should have another program?

21 MR. CHRISTIANSEN: Yes. I believe
22 this is why we are beginning to see a rental
23 supply income again.

24 MRS. SMITH: Over a thousand units,
25 I take it, in that category?

MR. CHRISTIANSEN: I know there
are 300 units that have to be absorbed in a 12-15
months' supply, but that is a good market working



1 the way it should.

2 MRS. SMITH: Yes. I think that
3 certainly the assured housing policy addresses that
4 and this is only a portion of the issue of housing,
5 but on the other hand, you have identified some of
6 the reasons that this Bill has to be looked at, too.

7 What do you do about the present
8 housing units under rent control and so on, and in
9 many cases, are they being held unreasonably without
10 the opportunity for correct looking at cost and so
11 on?

12 I think this Bill tries to address
13 that.

14 There are a couple of points you
15 made that I think are addressed to the Bill much
16 more so that in previous Bills. You talk about
17 the boom-bust community. Wouldn't you agree that
18 this bill which allows for a maximum allowable rent,
19 are you aware of that aspect of it, that every year
20 the allowable rent will be increased in a proper
21 formula and if your community is in a bust time and
22 you don't take advantage of that increase, but then
23 come later into a boom time, the increase is there
24 in a fair way for you to use which wasn't true under
25 the old Bill? I think that this Bill addresses
your problem in that area.

24 Would you agree?

25 MR. CHRISTIANSEN: I think that is



1 a fair provision and I wasn't aware of that, as such.
2 I'm grateful it is in there.

3 MRS. SMITH: You talked about
4 regional differences and the formula that has been
5 created allows for you to see what was expected in
6 the way of increases in various costs so if the
7 region, for some reason, was drastically different
8 than that, it would easily pinpoint in the review why
9 it didn't suit your particular case and the whole
10 method of dealing with review is so much simplified
11 that I would think that that whole process may
12 resolve some of the regional problems simply because
13 you would be able to see, if your municipal taxes
14 went up a thousand percent or something, there's
15 where it doesn't fit and it would be easily
16 balanced by the new process if it were so simplified.

17 MR. CHRISTIANSEN: I didn't realize
18 there would be building operating costs in it.

19 MRS. SMITH: It doesn't have
20 regional flavour to it. It is obvious and apparent
21 what it is built on, so in review, it would be easy
22 to identify the reason for your review is what I am
23 saying and the review process is very simplified.
24 Instead of having a court-like aspect, if your
25 case is simple and easily viewed, it would be
simply dealt with.

26 The other two points that you made
is that there was some criticism of the fact that



1 we are allowing people to come forward immediately
2 to the rent register and then if they can justify
3 the rent increases that they have put in without having
4 got permission, so to speak, there's an opportunity,
5 as long as they come forward immediately for that
6 to be looked at, so that once you can begin to
7 recognize a lot of small landlords who may because,
8 as you say, because of English language problems
9 didn't go for assistance who will, indeed, be
10 given an opportunity to fairly rectify that.

11 The other place that, I guess, in
12 my own personal way, I have been disagreeing with
13 you quite strongly or, in fact, even the other way
14 on behalf of the tenants, is this business of
15 standards and only having these standards of fire
16 safety and health safety a very minimum. I think you
17 have to look at the fact that if landlords and
18 tenants sat down and did this Bill together with a
19 lot of compromise and an awful lot of discussion
20 back and forth and the whole formula that was put
21 together was based on a recognition that it is in
22 the common interest of both the landlord and the
23 tenant to keep the property at higher than minimum
24 standards and the tenants were willing to look at
25 that as a part of the package, if you then got their
understanding on that, that the standards are going
to be upheld and the formula recognizes that and
you have landlords who drop back to nothing but



1 health and fire standards, I have worked with that
2 as a person on city council and that is pretty
3 minimal, simply health and -- I think the compromise
4 or agreement reached between tenants and landlords
5 was an understanding on their part that they got a
6 decent place to live and that was part of the deal
7 for the tenants.

8 So, that is my resistance to
9 minimum standards, sir. I don't think that is what
10 they dealt in.

11 MR. CHRISTIANSEN: I have seen
12 throughout the apartments I have
13 managed actual general term of tenancies not that
14 long. It is often around 11 months on the average
15 and that means a few people have stayed a long time
16 and people have left a little early. I have a little
17 bit of trouble coming to grips with a person who does
18 not have a vested interest in the project coming
19 along and recognizing a capital improvement
20 will take place and exist long after they have left.

21 MRS. SMITH: I wasn't addressing
22 that. I was addressing the minimum standards aspect
23 of it because I think if you only live in a place
24 for 11 months that has what your rent was supposed
25 to guarantee you, a decent place to live ...

MR. CHRISTIANSEN: I suppose the
same would be true in reverse. I have seen some
tenants who have pretty poor standards, as well, and



1 maybe there should be a trade-off there, too.

2 MRS. SMITH: I am sure that is true.

3 One other comment I was going to make was Mr.
4 Gordon said the Bill isn't going to fly in its
5 present form and yet the landlords and the tenants
6 have expressed to us a very strong view that they
7 did months of discussing, months of working out a
8 deal and they don't want radical changes made on
9 that issue.

9 Where would you stand on that?

10 MR. CHRISTIANSEN: I guess we are
11 getting into the political field here now, and I
12 don't know how that process works.

13 MRS. SMITH: The person who has
14 pressed us most strongly to us was Mr. Grenier, the
15 head of -- one of the co-chairmen of the
16 committee and, I think, if you had to find his
17 politics and scratched the surface, you would
18 probably find he was a good Conservative, so you
19 might say.

19 MR. HENNESSEY: They were all good
20 Conservatives until ...

21 MRS. SMITH: I don't know, sir, to
22 me I guess it is not so much party as to what
23 committee came out whatever their policy, their
24 politics, stressed very strongly to us.

24 MR. CHRISTIANSEN: My own problem
25 with Bill 51, as such, is that it is very, very



1 complicated and it is coming at us very, very fast.
2 It is quite different, an inherent number of problems
3 with it whether it gets in or it doesn't, and I
4 think we should consider that and try to make sure
5 the best is done for everybody in that regard.

6 As home builders, we are refreshed
7 to see this much attention has been given to it
8 because it does give us an opportunity to lay our
9 thoughts on the line and let you take a look at it
10 as legislators and make up your minds which is the
proper way to go.

11 MRS. SMITH: We are working hard at
12 it anyway, Mr. Christiansen.

13 MR. CHRISTIANSEN. Thank you for
14 that.

15 THE CHAIRMAN: Mr. Jackson?

16 MR. JACKSON: I have a short
17 supplementary to do with this minimum standards
18 aspect and I guess you are aware that all the
19 tenancies will come under this bill and not knowing
20 this community as well as I should and, quite
21 frankly, I will be asking this of the Social
22 Planning Council, but I'm talking about the lowest end
23 apartment building, basement apartments, non-
24 conforming usages, those types of units. You don't
25 really get into that in your brief, but is it an area
of concern that they will be drawn into the
process in a more -- placed under more scrutiny than



1 has been in the past and, therefore, we all agree
2 that there may be a realization of greater rents
3 that is going to have a significant impact on the
4 market.

5 Do you have any thoughts on that or
6 is that something you were alluding to when you
7 referred to they must be minimum standards?

8 MR. CHRISTIANSEN: This goes back
9 to several years ago when the Municipality of
10 Thunder Bay thought about licensing apartments and
11 one of the issues that I brought up at that time
12 was that there is definitely a market there. There
13 are some people who actually choose to live there
14 and specifically it is they have a very limited
15 income to spend, such as university students
16 and they don't mind basement suites for four
17 years as long as their rent is affordable for them.
18 I suspect that this Bill will end up causing some
19 of those rents to go up. I still have to manage
20 152 units of apartments and a townhouse project
21 where the rents are three bedrooms and the rents
22 are \$200.00 a month. This is under a low income
23 project. We have adequate money to maintain a
24 project in that condition and a project to look at.
25 It is right out by the airport, the Cressway
Apartments. We have a problem there. We have a lot
of people living in there that should have probably
have moved on who have got two cars, a boat and a



1 camper and this girl you wrote to me about, Janet
2 Anders, when she was looking for a suite, I couldn't
3 place her at a time she need accommodation because
4 these people had stayed there and it was avail-
5 able to them. It is not to say it would be available
6 to her if they had moved on. There would have been
7 somebody else come along in the process, but we don't
8 seem to have any mechanism for moving the people
9 through the system at all, and this project was
10 supposed to have an outgoing limit. Years ago, it
11 was \$12,000.00 or something like that where you went in
12 could have earned \$18,000.00. There were found
13 cases in Manitoba to be unconstitutional to do that
14 and, therefore, the people could stay in those units
15 so there was no flow through and that became unavail-
16 able to them. It was adequately maintained too.

15 I guess we just can't comprehend all
16 the problems we have with it and make accommodation
17 for them all.

18 MR. JACKSON: If I could continue,
19 you are talking about a modified rent supplement
20 program, the one you have got now, the one you are
21 referring to is regardless of income adjustment you
22 are entitled to stay put?

22 MR. CHRISTIANSEN: That is right.

23 MR. JACKSON: We understand the
24 implications with the charter and that, but if we
25 went to a modified rent supplement program, much as



1 we do for our seniors housing in this province that
2 you will pay, if you have got a reasonably good
3 income, you will pay market value rents.

4 Is that the kind of system that you
5 would feel this committee should be looking at more
6 seriously?

7 MR. CHRISTIANSEN: Yes, I believe
8 so. We are seeing it right now in the non-profit
9 housing sector. Perhaps 25 or 30 percent of the
10 units in Thunder Bay have that rent supplement
11 program, and in addition, they still rent out
12 market unit rents and it seems to be working quite
13 well.

14 One problem that I have is that
15 non-profit housing ends up almost renting out as
16 much as profit housing, so I don't see where the
17 problems are really. I have still got units for
18 rent in very, very new buildings that are equitable
19 with non-profit housing. It's the density coming
20 onstream.

21 MR. JACKSON: In conclusion, Mr.
22 Chairman, that would be a departure from the frame-
23 works of this current Bill for us to start going
24 into that area, but you do not -- you feel it would
25 be worthwhile for the committee to examine that
area before recommending passage of this Bill?

MR. CHRISTIANSEN: Yes.

THE CHAIRMAN: Mr. Bernier?



1 MR. BERNIER: Mr. Chairman, if I may
2 comment on your brief, Jim, it was very well researched.
3 Your organization has spent a lot of time on this
4 Bill and Bill 78 which you quickly found out had
5 some weaknesses and some strengths for both the
6 tenants and the landlord and, I suspect, what you
7 would like -- I don't want to put words in your
8 mouth -- but Bill 51 is a further step down that
9 road and will cause further problems if it is not
totally defined throughout.

10 With respect to your research and
11 your knowledge of this particular issue, I wonder
12 if you had had time as yet, and I know it has only
13 been recently announced that the socialized country
14 of France has had rent controls for a number of
15 years, Mr. Chairman, has now moved to remove rent
16 controls from that country. If you have looked at
17 other jurisdictions or that particular country
18 to see if there's something to be gained because I
don't think we should each be reinventing the wheel.

19 THE CHAIRMAN: Are you implying a
20 socialist state can do away with the problems you
21 have with rent controls?

22 MR. JACKSON: I think he's suggesting
23 that everybody should go to Paris and examine that.

24 MR. BERNIER: There might be some-
25 thing there. The machinery seems to be going a little
more to the left in this province, and I was wondering



1 -- do you have any comments about looking at other
2 jurisdictions?

3 MR. CHRISTIANSEN: I hate to see us
4 get into more controls because there seem to be
5 areas of concern that the landlord need controls,
6 as well, such as municipal taxes and utility costs
7 and things like that which constantly seem to be
8 going up. However, I wouldn't want to get back into
9 the same system we had at the inception of rent
10 controls when all wages and prices were controlled.
11 We have got to work to get away from that and given
12 the incentives that we have in Canada to go out
13 and operate in a free enterprise system, it is
14 obvious it is going to be modified to some extent
15 in Canada because we are trying to make everything
16 better than what we have seen in other countries
17 and, hopefully, we are always headed in the right
18 direction.

19 THE CHAIRMAN: Thank you, Mr.
20 Bernier. Mr. Hennessey told you right at the
21 beginning, Mr. Christiansen, it was an all party
22 committee and you avoided being dragged into the
23 political battle. Thank you very much for your
24 report. It was very straightforward and to the
25 point.

26 MR. CHRISTIANSEN: Thank you very
27 much.

28 THE CHAIRMAN: The second presentation



1 is by Northwestern Property Management, Vickie Marsh.
2 Miss Marsh tells me that there is
3 a typed brief, but it is not here yet, so we will
4 listen.

5 MISS MARSH: Mr. Chairman, ladies
6 and gentlemen, my name is Vickie Marsh employed by
7 Northwestern Property Management as a Resident
8 Manager. I have 217 apartments in two buildings.
9 Our company is a member of the Policy Organization
10 of Ontario.

11 I am here today to talk about how
12 Bill 51 will be affecting me in my day-to-day work.

13 Mr. Alvin Curling, Minister of
14 Housing, in a letter of May 30, 1986 stated that the
15 purpose of the rent review legislation is to "protect
16 all tenants against unjustified rent increases and
17 thereby to enhance their security of tenure." As a
18 landlord and tenant I disagree with any form of
19 economic eviction for tenants of all economic classes.

20 Bill 51 although a great improvement
21 over the original six point rent control legislation
22 of May 1985, seems to be blanket legislation applied
23 by the provincial government over the whole province
24 to handle a regional crisis situation.

25 Thunder Bay does have housing
problems but they are in the area of affordability.
Not availability. The stock available, as a result
of a free market situation, receive justified rent



1 increases that historically have been below the
2 statutory rent increases allowed. This has
3 traditionally been the case here.

4 This statement can be borne out by
5 the local housing market report of April-May 1986
6 which states that inventory in the city is higher
7 than in previous years. The total inventory of new
8 units now tops 300. This translates into a 13-15
9 month supply. The inventory of supply is nearly
10 at the saturation point and the report states that
11 new rental starts are not advised until the market
12 begins to absorb some of the current supply.

13 As a result of a quasi-free market
14 system of supply and demand, landlords are forced to
15 give many forms of concessions such as a free months
16 rent. In speaking to several local landlords, I
17 have found that even those who are traditionally
18 fully occupied year round are experiencing vacancies.

19 In my own buildings, I have vacancy
20 rates of seven percent in the large building and 11
21 vacant units in the smaller unit, I have three
22 vacant units which is a five percent vacancy rate.
23 It is much higher than any national published
24 vacancy rate.

25 Therefore, renters here can exercise
mobility within the market place and move around if
they are unhappy with their current rental situation.
This reflects what should be a free market situation.



However, the problem is with the amount of rent charged in relation to the costs of establishing the units or the replacement value. A survey of the newspaper reveals that the rate of rents in Thunder Bay for a one bedroom you would be paying 450 to 525 plus utilities. Utilities included is anywhere from 450 to 600. A two bedroom runs from 490 to 635 without utilities and if utilities are included, the range is from 500 to 675 dollars. Non-profit housing is current renting up a new project with their rents at \$502.00 plus utilities for a one bedroom and 577 plus utilities for a two bedroom.

Again, since the average salary in the city is just over \$18,000.00 per annum, that creates problems. This is a city with a lengthy history of layoffs. This year alone, Great Lakes has closed its Wafer Board Division with a result of a job loss of 250. Can Car Rail recently laid off 130 workers and the current grain handler strike-lockout is front page news across Canada. It is affecting employment of everyone, from elevator operators down to store clerks.

This leads to a situation where there are a large number of people in Thunder Bay who simply can't afford housing here. Thunder Bay housing at July 31, 1986 had a list of 706 applicants waiting for assisted housing.



Affordability is a cyclical yet chronic problem in this area and can be addressed by an appropriate shelter allowance program. The economic situation here has always had an effect on rents. The slump-boom cycles we experience here have caused rent increases in all units to fluctuate with the time with no regard to economic rents and a break even situation. In the history of my one building, we have had one year where we could get no increase at all and another year where our increase was 3.5 to 4 percent. This is an open market building currently not under rent control and yet the largest increase we have ever managed to get was a six percent increase. Therefore, we don't need external controls. The local economy does that for us. We do need help for lower and fixed income tenants. A program that provides assistance to them directly in the form of a subsidy would work much better than the present system of controlling rents. Rent controls in the present form are more likely to benefit middle and upper income earners who tend to either stay in a low priced unit or are the first choice of a landlord when a vacancy does exist.

Even though my feeling is that rent control legislation is not necessary in Thunder Bay, I feel that I will be legislated by Bill 51. This will eliminate a landlord's discretionary mobility to initiate rent increases governed by regional



1 economic factors that work to the benefit of the
2 tenants.

3 Okay. There are some positive aspects of
4 Bill 51. Among the positive, equalization allows
5 the landlords to charge similar rents for similar
6 units. Maximum legal rent is recognized along with
7 current rent, which allows a landlord to catch up
8 on any missed statutory rent increases

9 Although, as I have mentioned, in a city
10 where the local economy is slumping, the increase
11 is impossible to obtain. This leads to a situation
12 of a building with chronically depressed rents.
13 Several areas that I've found that did need to be
14 clarified in the Bill are as follows. It is stated
15 in the Bill that the Minister shall calculate the
16 residential complex cost index that is applicable
17 for each year and shall publish the index no later
18 than the 31st day of August of the immediately
19 preceding year.

20 This is of immediate concern to me as my
21 notice of rent increases for January must be
22 delivered prior to October, 14 days to get the rent.
23 As it does not look like this legislation will be
24 passed by that time, provision must be made by the
25 government to publish the index on a temporary
basis. I have heard all kind of numbers on TV and
radio as to what the allowable increase will be this
year. Something must be published, preferably today,



1 to give landlords a temporary guideline so that the
2 October 1st target date can be met and we stay within
3 legal limits.

4 Okay. The Bill states that both a
5 Residential Rental Standards Board and a Rent Review
6 Hearings Board are to be established.

7 It is with some trepidation that I read
8 the vague and indeterminate provisions for the
9 appointing of the members of these boards. In
10 applying to these boards, a landlord needs to know
11 what the board will consist of.

12 How will these representatives be picked?
13 Part VI, Section 37, states that these will not be
14 members of the Public Service of Ontario and they
15 should hold office during pleasure.

16 Are these to be political appointments
17 to be awarded locally? Does during pleasure mean
18 the term of the party in power? What qualifications
19 have been established for these people? Will a
20 civil servant be available in the areas these people
21 are appointed to to give them some assistance?

22 The Rental Standards Board is an idea
23 that can be supported, but it must be administered
24 by representatives of the government along with the
25 local appointed representative.

Members of both boards must be able to
understand the financial and legal matters pertaining
to these Hearings. Initial training will be necessary



1 along with continuing refresher courses. Term of
2 tenure must be set out and it cannot be dependant on
3 party politics. There must be some public service
4 permanent members of the board who can provide new
5 members with any assistance they may need. I need
6 to know that when I appear before these boards that
7 the members are knowledgeable.

8 Bill 51 suggests that tenant consultation
9 is needed on projected capital expenditures and
10 general maintenance. The feeling of the bill in
11 this area is this will lead to a higher standard of
12 housing that is dictated by tenants and little
13 regard for prudent fiscal policy.

14 Okay. In a building with a transient
15 population, tenant interest in long term maintenance
16 or projected expenditures may be small. One of my
17 own buildings is a good example. Langworthy is a
18 building with 57 units. Last year, I turned over
19 41 of these units and this year so far I have turned
20 over 27 of them. Student population, as we are
21 close to both Lakehead University and Confederation
22 College traditionally runs at 20 to 25 percent of
23 the building. Their tenancy is about one year in
24 length, two to three at most. Someone with no long
25 term commitment to living in a building will have
little or no interest in long term projections. If
this section is passed, then I also have several
questions on tenant consultation.



1 Okay. Consultation implies joint
2 decision making. What extent of information would be
3 given the tenant? Would engineering reports and
4 estimates have to go to each unit? How long would
5 the tenants have to make their decision? Would it be
6 one unit, one vote? Or would each tenant that is
7 registered get a vote? Would a tenant who
8 has given a 60-day notice to vacate still be allowed
9 a part in the decision even though they will be
10 moving? If no response comes from a unit within a
11 certain time period, this this considered an
12 approval? Does the landlord decide for a vacant
13 unit? If tenants disagree with proposals for
14 necessary work, what can the landlord do? Can we
15 go to the Standards Board and have the decision
16 overruled?

17 The whole process of tenant consultation
18 takes away a landlord's control of his property. The
19 tenant has no financial risk or responsibility and
20 should not be allowed in the decision making process.

21 Okay. Part VI, Section 67, states:
22 "The rent charged for a rental unit
23 shall not be increased unless a
24 period of at least twelve months
25 has elapsed since the date of the
 last increase."

 This is going to cause some major problems for
 both landlords and tenants. Anniversary date of



1 move-in will no longer be the rent increase date as
2 has been common in the past. I will have to ask
3 tenants to sign two leases, the first one they will
4 know what their rent will be and on the second one,
5 they will be signing a blank contract. The alterna-
6 tive to that is that I sign the tenant to a twelve
7 month lease at current rent and I cannot lock a
8 tenant into an agreement if that means my rent will
9 not go up on the unit for anywhere from 13-18 months
from the date of the last increase.

10 The Thom Commission did recommend that a
11 landlord, on one occasion only, to establish a
12 common anniversary date for the units in a complex,
13 to give notices of rent increases to take effect
14 before the expiry of the twelve-month period follow-
15 ing the previous rent increases. A common
16 anniversary date would be set by an order of the
17 Commission setting rent levels and the effective
18 date of the rent increases for all units in a
19 complex. That is Recommendation 50 in the Thom
Commission Report.

20 While this would give the landlord only
21 one anniversary date to work to rather than several
22 on the various units, it does not solve the problem
23 of the tenant having to sign two different leases,
24 one at an unknown rent increase, to complete his
year's tenancy.

25 For a landlord who has a large number of



1 units, this can involve a great deal of paperwork.
2 The common increase date would also have to be after
3 the index is published at the end of August and this
4 means December or January increase dates which the
5 tenants would not be too happy with as it would not
6 commensurate with Christmas presents.

7 Some provision must be made so that a
8 landlord can escalate a tenant's rent to reflect the
9 statutory increases for the project with an annual
10 increase date or that of an undetermined order should
11 an increase greater than the statutory increase
12 allowable be granted. For example, if a project
13 is changed to a common anniversary date of January
14 the 1st, provision to escalate the rent to the
15 statutory increase determined in August on January
16 1st, is required to enable the yearly lease to take
17 effect without consequences to the landlord on a
18 tenant entering the project on July 1st.

19 Rent review legislation does not
20 apply to units owned, operated or administered by or
21 on behalf of the Government of Ontario, Canada or a
22 municipality.

23 My feeling on this is that if rent
24 review is now being applied to all private sector
25 units that were previously exempt, there should be
no exceptions at all. Government administered
buildings must be included in this legislation.

Bill 51 is a step towards a saner



1 rental policy in Ontario. But only if it is passed
2 in such a manner that it reflects the agreement
3 reached between the landlords and the tenants and the
4 Rent Review Advisory Committee.

5 THE CHAIRMAN: (Mr. Bernier). Thank
6 you very much, Miss Marsh.

7 It is obvious you have had some
8 experience with the tenants and landlords in this
9 city. Would you like to ask anything now, please?

10 MR. GORDON: Miss Marsh, you are
11 no doubt aware of the fact and obviously you are,
12 since you preside over two buildings, that many
13 tenants today in Ontario perhaps would live as long
14 as 25 or 30 years in a building and they consider
15 those buildings to be their homes just the same as
16 we who own homes consider that to be our home.

17 MISS MARSH: Right.

18 MR. GORDON: You wouldn't be
19 objecting to those people having input into the
20 kinds of maintenance activities that go on in the
21 building or the capital improvements that must take
22 place?

23 MISS MARSH: I listen to some of
24 my long term tenants now. We have incorporated
25 several maintenance suggestions they have come up
with, but those are my long term tenants.

MR. GORDON: You wouldn't object
to the fact that long term tenants have that kind



1 of input, would you?

2 MISS MARSH: No, certainly not.

3 MR. GORDON: Your concern is the fact
4 people who are transient and, of course, you are
5 probably asking us to look at -- find a definition
6 of what is transient.

7 MISS MARSH: You're right.

8 THE CHAIRMAN: (Mr. Bernier). Thank
9 you.

10 Any other Members?

11 MR. REVILLE: I have a question that
12 flows out of when the Minister said --October 1st is
13 two weeks away. Does the government have plans to
14 allow landlords to meet their October 1st notice
15 date?

16 MR. CURLING: It is quite obvious that
17 the Bill is being publicly debated and when this was
18 placed in the Bill that it was hoped we would have
19 had royal assent to this Bill, but that is not so.
20 We cannot -- we will not be able to meet that
21 deadline for October 1st for notices, so
22 I presume that there are other plans to be
23 made in order to look at the present legislation,
24 we have ...

25 MISS MARSH: So, in the meantime, what
do I do on October 1st about rent increase that have
to go out?

MR. CURLING: I think advice we are giving



1 is if you are -- we said this would be retroactive.
2 We are saying to continue giving the same guideline
3 that is now four percent. It depends on what the
4 buildings are.

MR. REVILLE: Well ...

5 MR. CURLING: As we said, all buildings
6 would be under rent review legislation, so we just
7 proceed with that and it is retroactive accordingly.

8 MR. REVILLE: I think that gives rise to
9 two other questions, Mr. Minister.

10 Does that mean you are going to change
11 that January 1st, 1987 that is in the Bill? That
12 is where the October 1st comes from. Once the rents
13 go up on January 1st, '87, you have to be thinking
14 about that today and make your notices that take
15 you back to October 1st. That means there is a bunch
16 of landlords who don't know what to do.

17 MR. CURLING: As I said, we would have
18 to look at the date now, the date of October 1st is
19 not practical for January 1st. It is 90 days.

20 MR. REVILLE: Is your government now
21 prepared to tell the people what does RRAC mean?
22 What is the number of RRAC?

23 MR. CURLING: You are -- the government
24 is not prepared to say way RRAC means now.

25 MR. REVILLE: In the Bill it says you
will publish RRAC on August 31st which would give
me a couple of weeks.



1 MR. CURLING: We will not be able to
2 pass this Bill by October 1st, so we will not be able
3 to give those deadlines.

4 MR. JACKSON: That is fairly obvious.

5 THE CHAIRMAN: Any other question, Mrs.
6 Smith?

7 MRS. SMITH: Going back to the tenant
8 consultation, there is so much in bills like this I
9 think you would agree, the reason they are such
10 complicated bills is you have to prepare against so
11 many abuses as well, and I would assume that
12 probably the regulations will define very closely --
13 I don't take consultation to mean voting rights, so
14 when you start talking about voting rights, I suggest
15 you jumped miles ahead of anything I expect to see
16 there. All right?

17 In the way of consultation, I think you would
18 be aware that -- at least I have certainly seen in
19 my riding many cases where people used this
20 redecorating business to get rid of tenants and
21 completely change the nature of their apartments so
22 that they're priced out of a certain and into another
23 range.

24 So, consultation might, in some cases,
25 be necessary simply to keep a landlord from using
the capital improvement portion of the Bill to
completely change the nature of the unit. You can
say if you are going to put in swimming pools and



1 showers and turn this ordinary apartment into a
2 luxury apartment ...

3 MR. JACKSON: You realize we're in
4 Thunder Bay?

5 MRS. SMITH: Yes. But I have seen this
6 used ...

7 MR. JACKSON: I don't think they're
8 documented here.

9 MRS. SMITH: As I am saying, the consul-
10 tation, as I see it, wouldn't be interpreted in any
11 way the way you see it even for this type of
12 upgrading.

13 THE CHAIRMAN: Any comment?

14 MISS MARSH: No.

15 THE CHAIRMAN: Anything else, Mrs. Smith?

16 MRS. SMITH: No.

17 THE CHAIRMAN: Mr. Cordiano?

18 MR. CORDIANO: I wanted a supplementary,
19 but I will pass on now.

20 THE CHAIRMAN: Any of the Members who
21 would like to ask questions of Miss Marsh?

22 Mr. Jackson?

23 MR. JACKSON: Yes. When the Minister
24 returns, I have one, as well, but I was very
25 impressed with your presentation and for you to put
in the context for me the local economy and its
impact. The Bill really has no formula for
acknowledging heavy losses due to vacancies the year in



1 which they are experienced.

2 Now I am going to ask you to jump
3 forward. Do you feel that we should be constructing
4 a Bill that would allow for regional differences
5 even if I might be so bold as to propose phasing out
6 of rent review in selected areas of the province
7 that would be a unique situation and the insular
8 economy you are experiencing here in Thunder Bay,
9 would you support -- you make practical arguments
10 for it and I guess I was further triggered by what
11 Mrs. Smith asked you, a legitimate question which
12 we find we need to ask of landlords in Toronto, but
13 I don't sense that is a problem here when you are
14 sitting on a five or six percent vacancy rate. The
15 last thing on your mind is losing rents by getting
16 a security guard.

17 Do you have any other thoughts on
18 regional de-control?

19 MISS MARSH: Just that I think it should
20 happen.

21 MR. JACKSON: The other area that I was
22 pleased that you got into was the uncertainty with
23 respect to tenant consultation and representation on
24 the Standards Board. Unfortunately, the Minister is
25 not here, but it is an area in which we are not
getting involved because it will be the subject of
regulations and you have already shown quite a
definite insight into the political process. So, I



1 think you know how regulations work, but it would be
2 perhaps appropriate to ask the Minister that question
3 sometime today when he returns.

4 I would like him to sort of respond to
5 nine or ten questions you raised in reference
6 to this and with respect to where you stand
7 and Mrs. Smith, who is quite knowledgeable about the
8 Bill, seems to feel that it would not proceed to
9 the extent that you -- perhaps I can say fear --
10 they are fears, are they?

MISS SMITH: Yes.

MR. JACKSON: She doesn't feel it will go quite far.

11 We are not sure ourselves and perhaps you can stay
12 around today and we can get some straight answers to
13 that because it is an area that would concern us, as
14 well, especially those buildings which are located
15 near universities where the tenancies are not -- I
16 guess I can't tread water with my question much
longer, and the Minister is not back.

17 THE CHAIRMAN: Thank you very much.

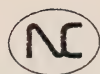
18 Mickey, you have one question?

19 MR. HENNESSEY: Did I understand you to
20 say you would be in favour of going back to the old
marketplace, more or less, market demand?

21 MISS MARSH: I would welcome the return.

22 MR. HENNESSEY: Why is that?

23 MISS MARSH: It has always been a lot
24 lower here. We have never sought rent increases
25 that were allowed. The local economy controls rents



1 here quite well.

2 MR. HENNESSEY: You think it does, eh?
3 Thank you very much.

4 THE CHAIRMAN: Mrs. Smith.

5 MR. JACKSON: We are getting that in
6 writing, are we, Mr. Chairman? We are going to get
7 your full brief?

8 THE CHAIRMAN: I understand we will get
9 a copy.

10 MRS. SMITH: Two question I find rather
11 interesting in this discussion we have had now, that
12 in the first place, if you are always under the
13 allowable because of your particular local situation,
14 even though there is a Bill, you are operating in a
15 free economy situation and the Bill doesn't really
16 hurt you then, either.

17 So, I mean, this Bill which was put forward
18 by the Province then you don't need, also doesn't
19 hurt you?

20 MISS MARSH: No.

21 MRS. SMITH: The other question I would
22 ask you in the same way is you talk about a
23 bust-boom economy here. The Bill is going to
24 visualize, in many of its provisions, long term
25 planning so even the bust and boom of the economy
is levelled out and not such a shock to individual
people.

I would ask you whether you would have



1 any concern, and if you got a real boom here, some
2 of the people who have lived rather consistently on
3 tighter times in the apartment might not suddenly
4 find themselves with the same job, say, working in
5 a store or something, and suddenly ousted out of
6 their apartment because in the boom times there are
7 other people suddenly earning a lot of money and they
8 can really jack up the rents and make up some
9 of what they didn't make at a bust time.

10 MISS MARSH: That is always a possibility
11 but I know it didn't happen with our apartments.

12 MRS. SMITH: Your firm didn't, but it
13 could happen?

14 MISS MARSH: It could happen, yes.

15 MRS. SMITH: I'm glad your firm didn't
16 do that anyway .

17 MR. JACKSON: Wouldn't it be a fair
18 stylization to say that really all your vacancies
19 are absorbed and you moved closer to a zero vacancy
20 base, but because of construction times and programs
21 for construction and growth in the area, you are
22 never going to have a great oversupply and you are
23 never going to really get to the point where ...

24 MISS MARSH: We have always had some
25 surplus.

26 MRS. SMITH: I was thinking more of
27 individuals, overall percentages of individuals.

28 THE CHAIRMAN: Mr. Cordiano?



1 MR. CORDIANO: Very briefly, catching
2 up with what Mrs. Smith brought up earlier about the
3 whole question of the fact the Bill would really
4 not affect the marketplace, the supply.

5 Now, obviously, in a better economy than
6 the Thunder Bay area, the tenant can -- I heard
7 something to the effect, and I don't know if it was
8 the previous witness before us, that was Mr.
9 Christiansen, that probably rent controls allowing
10 people that could afford to trade up a certain
11 amount allowing them to stay in other units, do you
12 find this in your buildings?

13 MISS MARSH: In my buildings, I know
14 people are just waiting to get in the buildings that
15 are under rent review, but they can afford my
16 building. They have the salary but they are waiting
17 to get into other buildings.

18 MR. CURLING: So what you are saying,
19 in effect, the vacancy isn't -- the vacancy exists
20 with high unemployment?

21 MISS MARSH: Anything under rent review,
22 I don't think ...

23 MRS. SMITH: Under rent control?

24 MISS MARSH: Under rent control, yes.

25 MR. JACKSON: With a high unemployment
area, that is always the case.

MR. CORDIANO: Thank you.

MR. BERNIER: How many vacancies do you



1 have right at this point in time in your two buildings?

2 MISS MARSH: Eleven in one building out
3 of 160, and three out of 270.

4 MR. BERNIER: Is that what the balance
5 traditionally is?

6 MISS MARSH: No, it is traditionally
7 close to full.

8 MR. BERNIER: That is very interesting.

9 THE CHAIRMAN: The next is Mr. Danny
10 Chrusz, am I pronouncing that correctly?

11 MR. CHRUSZ: Yes.

12 THE CHAIRMAN: Welcome to the Committee.

13 MR. CHRUSZ: Thank you very much. Do
14 you have copies of the brief?

15 THE CHAIRMAN: Do you have copies of
16 your brief for the Committee Members?

17 MR. REVILLE: Number 98, Mr. Chairman.

18 THE CHAIRMAN: Thank you very much, and
19 you are always most helpful.

20 Please proceed.

21 MR. CHRUSZ: Ladies and gentlemen, my
22 name is Danny Chrusz and I'm here to discuss the
23 effects the government policies are having on
24 myself as a landlord and effects that Bill 51 may
25 have on me in the future. I am sure my situation
is very similar to a vast number of small apartment
building owners across the country. This vast
number is getting smaller every day for some very



1 good reasons. We all know that a few hundred years
2 ago North America had an abundance of buffalo. We
3 had so many buffalo that it was great fun to shoot
4 these animals from the train for the sport of it.
5 Today we don't have these buffalo and we will never
6 have them in vast numbers again. A lot of species
7 have had their heyday and today they're almost
8 extinct for various reasons. The species that I am
9 concerned with here today is the small landlord. If
10 we don't give this small landlord some room, some
11 food, some consistency, some pride, an environment
12 that is conducive to growth, he is going to become
13 extinct.

14 Let's examine this small animal that I
15 call the landlord. He is generally a hardworking
16 man that is gainfully employed by a paper mill, a
17 factory or a contractor. He works every day, year
18 after year, and before you know it he has a little
19 money saved and he buys a small piece of property.
20 He then works his job in the daytime and builds his
21 small apartment at night. His friends help, his
22 family helps, he gets the best prices for material,
23 he gets a loan, a permit, et cetera.

24 Finally, after two years, he and the bank
25 are the proud owners of a six-plex which he rents
out. This animal I call the landlord is happy. He
enjoyed his regular job, he enjoyed putting up,
putting money aside for the land, he enjoyed getting



1 a mortgage for his building. and working with his
2 family and friends to build this building. He rents
3 this building out and he is able to pay for that
4 mortgage.

5 All the time he is dreaming of 15 years
6 down the road he will be rewarded by extra income to
7 retire early or to travel or perhaps to build another
8 building. He enjoys renting his units, collecting
9 rents, fixing toilets, cutting the grass, et cetera,
10 et cetera. He doesn't mind paying extra income tax,
property tax and a mortgage.

11 This animal in this situation is content.
12 All of a sudden, things start to change. A larger
13 creature that is all-wise, extremely intelligent and
14 tremendously powerful moves in and this creature
15 isn't satisfied with the way things are going. This
16 second creature has the ability to cut down a tree
17 when he wants an apple. He builds a dam when he
18 wants to swim. He grows what no one else can grow.
19 He spends more money than he earns and he can hide
20 the facts so well they can only be found out when the
21 next party gets in. This second creature decides
22 that things aren't well. He wants to make a
23 change. The issue is the poor, the elderly, and
24 the fixed income tenants need help with their rent.

25 Well, it would be too simple an issue
to issue these people a cheque. They are already
receiving a cheque and we can't change the numbers



1 on this cheque. That is much too simple. What we
2 will do is we will attack the first animal. That
3 is different. Nobody else would think of that. We
4 will attack the hardworking animal like a matador in
5 a bullfight. We will torture him first. Step number
6 one and then torture process. We will take away his
7 finest tenants by building old age subsidized
8 units. We will get the older reliable tenants. It
9 doesn't matter if it costs us \$2,000.00 a month.
10 The animal was charging \$300.00 a month, we will
11 charge \$150.00 a month and because we don't want to
12 increase the old age pension cheques.

13 Step number two in the torture process:
14 We will subsidize new buildings and the teachers,
15 the nice young couples, businessmen, et cetera, will
16 leave for the newer buildings because the rents are
17 equivalent but the buildings are newer.

18 Step number three: So as not to
19 discriminate, we will build family units, too. The
20 landlord charges \$400.00 a month and we will charge
21 \$250.00. This will actually cost us and the city
22 almost \$900.00 a month to house the same people, but
23 we can't let the landlord get fat and anyway our
24 costs are different.

25 Step number four: Let's limit the amount
the landlord can raise his rents. Let's make it six
percent for awhile. Now, we will make it four
percent.



1 Step number five in the torture process:
2 Let's make the landlord do a little homework. If
3 the landlord tries for a little more than four
4 percent, we will make his read about 1,400 pages of
5 rules and then he will have to serve notice of rent
6 increase to tenants 90 days prior to the date that
7 the increase takes effect. Then he has to make
8 application to the Rent Review Board with copies to
9 each tenant 60 days prior to the date of increase.
10 Then he will have to file cost-revenue statements
11 together with two copies of all invoices for the
12 year with the Rent Review Board. Then he has to
13 show last year's costs, this year's costs, and
14 projected costs. Then that small landlord will have
15 to probably hire an accountant and hire a lawyer for
16 assistance.

17 If that isn't enough, we will add a little
18 bit of humiliation. We will have the landlord attend
19 a meeting and the tenants can argue the increase.
20 Each hearing will cost the government about \$3,000.00
21 but we are on a torture the landlord program, so it
22 has to be done.

23 Step number seven: The small landlord
24 won't sell his building even if he can't get good
25 tenants and has to fight to make improvements because
his unit has no value on cash flow. His building
would probably cost \$48,000.00 a unit to build,
but cash flow says his building is worth \$19,000.00



1 a unit.

2 So, let's see. We have taken his best
3 tenants, we have limited his increase of rents, and
4 given him unfair competition. We have humiliated
5 him and we have got him trapped in a cell. Let's
6 go for the kill -- Bill 51.

7 Ladies and gentlemen, I have a ten-unit
8 apartment building that is worth a little bit more
9 than a house. I have seen my tenants, Mrs. Campbell
10 who is 83 years old move out after eight years
11 because she went to a cheaper, government-subsidized
12 unit. I saw a nice young couple move out because
13 they can get equal value in a new building that was
14 subsidized by \$7,000.00 per unit by the government.
15 I have gone to rent review and had my case thrown
16 out, not because I didn't need the increase but
17 because I didn't follow the procedure to a "T". I
18 have had to show all my business regarding these
19 buildings to strangers. I had to show them my
20 mortgages, how much I owe, how much interest I pay,
21 all my costs. I have people that have never had a
22 job in their life question my integrity, question
23 my business judgment, complain about my service,
24 discuss my business affairs.

25 In the last number of years, I have had
it up to here (indicating) but I am still hanging
in there. I am no longer happy, but I know a lot
of discontented small landlords. I have seen a few



1 small landlords being generated today because of a
2 \$7,000.00 per unit subsidy, but in the long run, the
3 present policies of rent control and the side effects
4 of Bill 51 will kill off the small landlord.

5 I believe we still want these men. They
6 are willing to work hard, to pay taxes, they think
7 they create jobs and dream of travelling and retiring
8 early for their efforts. If we kill them off, we
9 will never get them back.

10 Thank you very much.

11 THE CHAIRMAN: Thank you for a very
12 creative brief, Mr. Chrusz. (Applause).

13 You have another one here from Poli
14 Fiberglass Industries.

15 MR. CHRUSZ: I am the Director of
16 Operations of that and Poli Rentals.

17 THE CHAIRMAN: You didn't want to
18 present or read this brief to the Committee?

19 MR. CHRUSZ: I will do that next.

20 THE CHAIRMAN: You are just dealing
21 with the one you have before us now?

22 MR. RAMSAY: We'll pick up the verbal
23 comments where you don't have a written form of the
24 one you just gave?

25 THE CHAIRMAN: For us, for the Committee,
can you leave a copy of that with us?

MR. CHRUSZ: I certainly can.

THE CHAIRMAN: A question from the



1 matador of the North, Mr. Bernier?

2 MR. BERNIER: Mr. Chairman, it is the
3 first time I have been called a matador. You, at
4 this point in time in your complex, how many
5 vacancies do you have?

6 MR. CHRUSZ: Ten percent, one vacancy.

7 MR. BERNIER: Your average rent is ...

8 MR. CHRUSZ: Average would be
9 probably around \$275.00 a month.

10 MR. BERNIER: That is one bedroom?

11 MR. CHRUSZ: That is the average rent.
12 I have one bedroom, bachelor, upper and some two
13 bedroom apartments.

14 MR. BERNIER: You have no trouble
15 renting your apartments?

16 MR. CHRUSZ: The biggest problem I had
17 probably was the competition I had been getting
18 from, I would say, government policy. I would say --
19 I have owned the building since 1965. I am a
20 graduate engineer and shortly after graduation, I
21 put a down payment on the building and I bought it
22 at a particular time that is when Mrs. Campbell
23 lived in the building and she had been there for a
24 number of years. She also lived there eight years
25 when I had the building and she moved on to
subsidized -- old age, subsidized unit. Good for
her.

I have seen schoolteachers move out of



1 my apartment building to newer buildings in other
2 locations. These newer locations were also govern-
3 ment subsidized and I find that the tenants I had
4 when I initially bought the building were very
5 reliable, and paid their rent.

6 Now the type of tenants I have are more
7 of a transient nature, militant. Like I say, not
8 as reliable as the tenants I had before and if the
9 competition gets -- at this particular stage, I
10 would try selling it if I could get a fair market value
11 The market value is determined by the cash flow
12 I receive, and that brings down my units to a very
13 low figure as compared to actual bricks and mortar.
14 But my ten-unit apartment building, I would say, is
15 worth a little more than a bungalow today.

16 MR. BERNIER: Thank you very much for
17 your brief. It was well thought out and very much
18 in layman's language. I admire your northern spirit
19 and I hope that particular unit of ten units
20 provides you the opportunity to retire early because
21 you have earned it.

22 MR. CHRUSZ: Thank you.

23 THE CHAIRMAN: Mr. Hennessey?

24 MR. HENNESSEY: At that, I would just
25 like to ask being as well versed as you are in
Thunder Bay and knowing what is going on, are there
problems now with landlords who wish to get rid of
an apartment block, wish to sell it, are they having



1 difficulty selling it with rent controls on it?

2 MR. CHRUSZ: The value of the building
3 is determined by the cash flow and if you aren't
4 right up on it and didn't get the increases you
5 should have got, et cetera, et cetera, your rent today
6 could probably be \$250.00 per month and by the time
7 you learn what should be going on, it should be
8 \$350.00 a month, and so a person slightly more
9 abreast of you is getting \$100.00 a month more if
10 they're renting an apartment which leaves a
11 building could be identical across the street, it
12 could be worth \$25,000.00 a unit and your unit is
13 only worth \$15,000.00 a unit. It is all predicated
14 on the amount of rent that you are charging and how
15 much profit you have at the end.

16 MR. HENNESSEY: Would you be partial to
17 the abolition of rent controls?

18 MR. CHRUSZ: I believe the law of supply
19 and demand takes care of a lot of errors. I believe
20 that the government and government policies have
21 their place. I believe that there are people that
22 are unfortunate and require assistance and I believe
23 that these people who require assistance should be
24 given that assistance directly. They shouldn't go in
25 a roundabout way and try and resolve that problem
for whatever means, but look at the problem and
resolve it directly. If Mrs. Campbell was able to
pay \$225.00 a month rent in my building, why should



1 we make available for her an apartment for \$60.00
2 elsewhere?

3 MR. HENNESSEY: You really think the
4 government should look at the possibility of expand-
5 ing the assistance they are giving now because
6 living here the same as you do, there's a great
7 shortage of homes and suitable housing in the City
8 of Thunder Bay.

9 Would you be in favour of the government
10 going out and assisting people making a certain
11 level -- not people who are on social services,
12 people who are working but not making enough money
13 at a certain level, maybe \$20,000.00, \$18,000.00,
14 whatever the government thinks would be a fair
15 thing, subsidize a fair portion of their rent
16 because sometimes a person, if they pay a large rent,
17 they can't afford to live properly? Would you be
18 in favour of the government looking at that
19 possibility?

20 MR. CHRUSZ: I wouldn't be in favour of
21 the government looking at individual cases of people
22 who can't afford adequate means of food and shelter
23 and clothing, but in terms of shelter, yes, the
24 government should look at people and every Canadian
25 is entitled to rent accommodations of a certain
standard and there are probably good ways of doing
it. I believe that the government should look at
the individual cases rather than try to fly its



1 wrath entirely out of sentiment.

2 MR. HENNESSEY: Eighteen or twenty
3 thousand dollars today is not the money it was ten
4 years ago. It may look like a lot of money when you
5 say it but when you start spending it it becomes
6 like stage money and you get rid of it as fast as
7 you can.

8 I think there is a need for the govern-
9 ment to look into the possibility of subsidizing
10 people at a certain level of earnings because some
11 people are single mothers who are working in a
12 department store making so much money and it is
13 from one payday to another until they exist and
14 deprive themselves of things that they really need,
15 but then their rent is coming due so they have to
16 pay the rent. And the first thing they know, they
17 have to save when the hydro bill is due the next
18 week and the telephone bill -- what am I going to do?
19 Who am I going to pay first? I take it they are
20 cut off to some extent because they don't have
21 enough money.

22 MR. CHRUSZ: Mr. Hennessey, I have got
23 the attitude let's help people that want to help
24 themselves.

25 MR. HENNESSEY: You've got to help
 yourself?

 MR. CHRUSZ: Absolutely.

 THE CHAIRMAN: Mrs. Smith?



1 MRS. SMITH: I talked to the previous
2 delegation about supply and demand. If there
3 were no rent controls, would you be able to put up
4 your rent substantially, or would the supply and
5 demand situation leave you probably about where you
6 are?

7 MR. CHRUSZ: It is a very difficult
8 question for me to answer in that I don't know what
9 would have happened, but I have always been taught
10 that supply and demand will resolve the majority of
11 the problems and what would have happened -- what my
12 rents would be today if there was no rent controls,
13 I don't know, but I believe that in the area, there
14 is a shortage of units. These units would have been
15 built. Entrepreneurs would have put together the
16 resources and seen the -- seen that there was a
17 demand for a certain commodity -- I don't know if
18 that answers your question.

19 I don't know what my rent would be, but
20 my average rent right now is \$250.00 but I enjoy
21 the game, the law of supply and demand ...

22 MRS. SMITH: Do you think you could put
23 them up substantially now and not run into the
24 problem of empty apartments?

25 MR. CHRUSZ: Well, when I bought the
apartment building, I felt a certain security in
knowing economically what was going to happen
and what was happening and what would happen in the



1 next five or ten years.

2 Now I am not certain. I am not certain
3 if I build that apartment today whether or not it
4 would be rented tomorrow. I'm not certain today if
5 I built that apartment building whether the fellow
6 across the street is going to be assisted by five,
7 ten, twenty-five thousand dollars, I just don't
8 have an economic forecast or feeling of what is
9 actually happening because I just feel that there is
a power failure -- I get very, very ...

10 MRS. SMITH: This Bill is very compli-
11 cated and I do recognize this and I think we all
12 recognize it and the fact that we are going to have
13 to provide the education and the staff to help people
14 live with this if and when it passes, but recognizing
15 that, do you still say that probably you would see
16 this Bill as an improvement, knowing you can't walk
17 away from rent controls overnight, that this Bill
18 will provide an improvement for that type of
exercise?

19 MR. CHRUSZ: I don't know side effects
20 Bill 51 will generate. I believe that the economic
21 situation should be left to enterprising people and
22 the least intervention that there is by the govern-
23 ment in regards to trying to satisfy the marketplace,
the better it is.

24 MRS. SMITH: I mean, there is no question
25 that this has been an evolved message to the Minister



1 from the beginning that this Bill is trying to
2 attract entrepreneurs back into the rental market
3 and certainly that is why those developers who were
4 on the Committee that helped to write it represented
5 the industry and suggested, perhaps, said that they
6 believe this will produce a climate that will be
7 healthy for developers and small developers included
8 who are also represented on that Committee. So, I
9 guess they, at least, hope it is an improvement and
10 will, in fact, draw the private developers back
into the market.

11 MR. JACKSON: Do you think that will
12 happen?

13 MR. CHRUSZ: You see in my situation
14 I am totally frustrated at the situation. I don't
15 particularly enjoy having a small apartment building.
16 This is not the situation I want, not being able to
17 realize how it should be worked. When I go into the
apartment building as I did back in 1965 ...

18 MRS. SMITH: Mr. Grenier, who is one of
19 the co-Chairmen of the Committee is a big landlord in
20 Toronto and, of course, we all recognize Toronto is
21 the major -- and I suppose, but I don't know if
22 Ottawa is as bad, but Toronto is certainly a major
23 problem area according to housing, and he made the
24 comment in a magazine article that he recognized
25 that the government could not simply subsidize
people's rent to the point of the marketplace in the



1 present situation because of unscrupulous landlords
2 -- not you, as a landlord -- unscrupulous landlords
3 would take advantage of it because the government
4 will pick up the total bill so why not charge anything
5 you want while there is a shortage because there is
6 but he suggested there is just no possibility of
7 even looking at moving into the street, government
8 picking up the bill and subsidizing the situation.

9 Would you disagree with that? Because
10 of the shortage -- I don't think that would apply
11 up here in Thunder Bay at all.

12 MR. CHRUSZ: Short term things like that
13 will happen. There is no perfect situation and I
14 believe left to the private sector things will iron
15 out and I am sure that people will get hurt and be
16 taken advantage of, the situation will be taken
17 advantage of but I believe over a period of time
18 the problem will resolve itself and if these
19 unscrupulous landlords start to charge two thousand
20 dollars a month rent, it would be a very short period
21 of time before other people take a look at the
22 situation and I am sure those rents would come down
23 fairly quickly.

24 I believe that the marketplace, left to
25 its own, could handle the situation.

MRS. SMITH: Thank you.

THE CHAIRMAN: Thank you. Mr. Cordiano?

MR. CORDIANO: I wonder if you are



1 familiar with Bill 51? Have you had an
2 opportunity to -- I don't mean read it, but ...

3 MR. CHRUSZ: Bill 51, no. I am familiar
4 with some of the provisions.

5 MR. CORDIANO: I refer you to a section
6 of the Bill and I know you don't have it, but you've
7 spoken of the fact that -- correct me if I am wrong
8 -- perhaps the units in your building, you're not
9 getting as much rent as you should be getting given
10 a number of factors and probably the building across
11 the street is renting for more. That is what I
12 thought I heard you say, but I am not sure.

13 Could you clarify that for me?

14 MR. CHRUSZ: Yes. I did mention that.
15 That was mentioned in regard to giving an illustra-
16 tion of the value. Our situation -- there are
17 situations in Thunder Bay that are like that, there
18 are identical buildings across the street and one
19 may be renting for \$325.00 and the one across the
20 street is renting for \$600.00 and they're just about
21 equivalent throughout.

22 MR. CORDIANO: That is not your
23 situation?

24 MR. CHRUSZ: No, my situation is what I
25 am getting frustrated about, that I have seen my
more reliable and good tenants leaving in a case of
unfair competition as I would call it. This is
probably the primary concern.



1 MR. CORDIANO: What the Bill addresses
2 is the situation in regard to if the building is
3 valued at \$100,000.00 where you have a discrepancy
4 between one building and another with regard to the
5 rent, one may be renting units for \$300.00 a month
6 and an identical or similar one with attributes will
7 be renting for \$500.00 a month.

8 The Bill does deal with that problem and
9 it deals with the section that refers to chronically
10 depressed rents and there is an allowance made to
11 have those rents increased such that you would be
12 able to reach a level where those rents, chronically
13 depressed rents, would come up to the rents of the
14 other buildings that are similar to it. The section
15 of the Bill, I can show you the section if you want,
16 and if that is the situation that exists in the city
17 here, certainly the Bill adjusts that.

18 THE CHAIRMAN: Perhaps you could have a
19 word with Mr. Chrusz afterwards?

20 MR. CORDIANO: Yes.

21 MR. CHRUSZ: Probably the side effects,
22 I don't know Bill 51 in its entirety. I probably
23 will end up reading it fifteen times before I under-
24 stand it fully. I am trying to understand what side
25 effects Bill 51 will bring in. I am certain there
is going to be a lot of ill side effects, as well as
a lot of good attributes.

My position is that I would try to make



1 the Bill smaller, less complicated, keep it as simple
2 as possible.

3 MR. CORDIANO: They will heed your
4 advice.

5 THE CHAIRMAN: It makes common sense
6 to me. Mr. Curling?

7 MR. CURLING: I have just got a few
8 questions to ask you. Would you consider that this
9 is a very difficult issue for any legislator to
10 wrestle with, rent review legislation?

11 MR. CHRUSZ: Yes.

12 MR. CURLING: Would you feel that the
13 tenants' and landlords' representatives tried, in a
14 very fair way, to strike a balance on the spectrum
15 of the issues of the tenants and/or landlords?

16 MR. CHRUSZ: Would you rephrase that
17 question for me?

18 MR. CURLING: Would you feel the
19 recommendations in the Bill before us as being debated
20 attempt, in a very sincere way, to strike a balance
21 of fairness for both landlords and for tenants?

22 MR. CHRUSZ: I wouldn't comment on the
23 question. I would go back and say when you start
24 -- I am sure when you write a contract, everybody's
25 good intentions are trying to be put in there. The
longer you make the contract and the more pages it
has and the more easy it is to confuse yourself and
there are just reams and reams and reams of things



1 to discuss about will come about, et cetera. Bill 51,
2 if it were five pages long, is one thing, and if it
3 is 50 pages long, it is going to be ten times as hard
4 to try to comprehend and try to close the loopholes.

5 I believe the best agreement can be put
6 on probably one sheet of paper, maybe even have a
7 sheet of paper that if you said to me the government
8 was going to introduce something that was going to
9 take 20 pages of paper, I would think it is going to
become a monster.

10 MR. CURLING: All right, I agree with
11 you the form of writing something is much easier
12 and, as a matter of fact, sometimes interpreting a
13 legal phrase what one wants to say is lost in the
14 basic recommendation.

15 What we have done in the process is to
16 prepare a guide to the Bill. Have you seen that
17 guide to assist you to understand the Bill in some
form looking like that?

18 MR. CHRUSZ: I haven't read the guide.

19 MR. CURLING: We will make one available
20 to you. I will ask you a specific question. You
21 talked about the small landlord.

22 Do you think this Bill which you have
23 read is better than what was previously -- how the
24 small landlords were treated previously?

25 MR. CHRUSZ: I don't believe I can give
a fair answer to that question.



1 THE CHAIRMAN: We have quite a number of
2 people still to ask questions and this is only the
3 first of Mr. Chrusz's two briefs to the Committee.

4 Mr. Jackson?

5 MR. JACKSON: Thank you, Mr. Chairman.
6 Following on the Minister's questions, he has
7 indicated, on several occasions, that this Bill will
8 turn the process into a less adversarial process
9 where tenants can sit down and if I can continue with
10 your endangered species analogy, that the man will
11 lie down with the lions and there will be perfect
12 bliss in the province. You, with your understanding
13 of the Bill, feel that there will be a new day for
14 Residential Tenancy Hearings in the Province of
15 Ontario?

16 MR. CHRUSZ: No.

17 MR. JACKSON: The Minister has
18 indicated, as well, that this will stimulate new
19 housing construction, rental construction.

20 Do you believe the Bill will assist in
21 achieving that? Are there incentives for you as
22 someone who made that decision, do you feel the
23 Bill in its present form here is sufficient motiva-
24 tion incentive for you to consider building?

25 MR. CHRUSZ: If I can answer the first
question, the question again, I tried to give an
example in the particular case where the man lays
down with the lions, I think in all fairness to that



1 person, he has got together a certain sum of
2 money and invest in a piece of property and built on
3 it and offers it for rent, I believe that he should
4 have a stronger say on what should happen to that
5 particular piece of property. He's the one that
6 gambled. He's the one that invested the money in
7 there and it depends, two-fold or three-fold or
8 four-fold, if someone comes in that is not familiar
9 with what had to be done with the building and not
10 yet be as hard a worker, perhaps not have worked
11 very much in their lives and yet, as I understand
12 it, Bill 51 is pushing towards these people having
13 as much to say as the person that first took two or
14 three years to get the money and two or three years
15 to build the building.

14 In that particular case I would say
15 it seems a bit unfair.

16 To answer your second question, I believe
17 that without rent control and Bill 51 the market-
18 place will take care of itself and provide adequate
19 accommodation in a shorter period of time than by
20 this method.

21 MR. JACKSON: Mr. Hennessey asked you a
22 question about getting out of rent controls and I
23 thought I would rather rephrase that question to ask
24 you if you would support a program where you have
25 regional de-control, that it possibly be tied to
the vacancy rate based on five years or whatever,



1 but that there be a planned forecasted deregulation
2 of rent controls in non-urban areas or regional
3 areas based upon a criterion.

4 Do you feel this Committee should be
5 looking at that aspect of it?

6 MR. CHRUSZ: I believe that the Committee
7 should consider if it wants to consider
8 using less restraint on landlords and give the
9 marketplace a chance to do its own thing and every-
10 thing will take care of itself. I would have -- I
11 would very much like to see it doing that rather
12 than putting tighter reins on the situation. Loosen
up a bit and let the marketplace take care of itself.

13 MR. JACKSON: Your short answer is yes?

14 MR. CHRUSZ: Yes.

15 THE CHAIRMAN: Thank you. Mr. Epp?

16 MR. EPP: Are you saying, if I understand
17 you correctly, what you would like to do is de-control
18 the whole province, then you say the market could
look after itself?

19 Is that what you are really recommending?

20 MR. CHRUSZ: I would recommend to head
21 toward a solution where we let the marketplace try
22 to take care of itself, to give it as much freedom
as possible and not try to ...

23 MR. EPP: I think what the government
24 has tried to do, with respect, is you have to under-
25 stand the situation is one that has taken a lot of



1 care and the Minister has spent a lot of time on this
2 with his staff because the landlords and tenants
3 together have come up with a compromise solution.
4 They have tried to eliminate the confrontational
5 approach that I have been through in the last eleven
6 years, and that is unique to this province. It is
7 certainly, I think, in the rent review history, and
8 it is something that we hope very much will be
9 effective and will work and we need everybody's
10 cooperation if it is to work, including the small
11 landlords and including the tenants, including the
12 large landlords, so it is something I think we
13 should seriously look at and something the govern-
ment has had a lot of attention to the material.

14 I want to -- you may want to comment on
15 that, but if not, I have another question for you
16 and that has to do with the rent supplement. Have
17 you applied for, under the rent supplement program,
18 with the province for assistance, because you might
19 be in a position to apply for that and I don't know
20 whether you're familiar with that, but if you have
21 tenants who can't afford the higher rent that you
22 are charging, that's acceptable and so forth, that
23 the government will subsidize the landlord under
24 this program. I think up to 25 percent a year or
25 something of that nature in the building and the
officials might want to comment on it. But if you
have applied and not been successful, that's one



1 | thing. The other is that you might be eligible for
2 | it and if that is the case, it may give some assis-
3 | tance to you with your -- what you are asking.

4 | Are you familiar with this program?

5 | MR. CHRUSZ: No.

6 | MR. EPP: Thank you very much,

7 | Mr. Chrusz.

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1 Let me get back to Mr. Peters or
2 Mr. Lafferty. Having heard the presentation
3 that Mr. Chrusz has made is it possible that he
4 might qualify? I know you can't definitively
5 tell me or he whether he would qualify but is it
6 possible that he might apply for that program in
7 this area?

8 MR. PETERS: I think first of all
9 in this particular instance in applying for the
10 rent subsidy program in the northern region,
11 the City of Thunder Bay,
12 normally if there is a need for additional rent
13 increase as of now the municipality -- the Ministry
14 will approach landlords and ask them about the
15 revenue which they anticipate under the program
16 so I think two things would be required
17 for additional increases in housing at that point
18 you could contact the Ministry. So we might
19 very well find you eligible.

20 MR. CHRUSZ: Thank you very much.

21 (Inaudible)
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THE CHAIRMAN: Can we have a final question on this brief, Mr. Hennessey?

MR. HENNESSEY: I just feel that if the bill was a satisfactory bill we would not be here. We ran into the same problem down in Toronto where the tenants aren't happy about it and neither are the landlords from the formal sitting of that committee and he was one of the main people.

Mr. Germain was very dissatisfied with it. So they all sat together. The result was not satisfactory, so I just say it's not an easy thing and I think the reason why we are here is because of the problems and the claims of the tenants and the landlords and see if we can come up with another formula. The reason why the bill didn't pass is because the NPD and the PC parties would not support it because they felt there were a lot of things to be done. Thank you very much.

MR. JACKSON : I just wanted to say one thing, Mr. Chairman, and that's that I was here a year ago for Bill 30 and they heard 800-and-some-odd briefs, 889 briefs on it. We travelled right across the province and all three political parties supported that bill, so what Mr. Hennessey is saying is not necessarily consistent



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3 because all three parties supported Bill 30 and we
4 had 889 ...

5 MR. HENNESSEY: For third reading.
6 It is the main thing.

7 THE CHAIRMAN: It is always a joy
8 to have all party committees.

9 MR. HENNESSEY: That's right.

10 THE CHAIRMAN: So we discussed
11 this out of committee. Mr. Chrusz, did you wish
12 to move on to your second brief now?

13 MR. CHRUSZ: Yes.

14 THE CHAIRMAN: I think that would
15 be best.

16 MR. CHRUSZ: Peter Sarti, the person
17 who was to give this speech cannot be with us today
18 but it's an excellent view of the situation. Peter
19 is 40 years old, he is from Italy and still on his
20 first marriage. He has two well-behaved children,
21 owns his own home and is employed by Poli Rentals.
22 Peter is concerned about the side effects of Bill
23 51, the effects it will have on his children and on
24 his job and this is what he has to say.

25 "My name is Peter Sarti and I am here
today to discuss a part of Bill 51 and
its effect on my family and many, many



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3 unfortunate tenants.

4 I am here today because I am concerned
5 that Bill 51 will hurt more people than
6 it will help.

7 I am here today to explain why I feel
8 Bill 51 is like putting a bandage on a
9 cancer. At first it will look okay -
10 because we can't see the cancer, but
11 in a matter of time, the problem will
12 get worse and worse and the bandage
13 will fall off and we'll have to face
14 the problems.

15 The government feels Bill 51 reflects
16 a feeling that by limiting rent increases
17 a benefit would be achieved for low and
18 fixed income tenants.

19 - Nothing could be more in disguise.

20 - If the government wants to help the
21 low and fixed income tenants, then why
22 doesn't the government issue these
23 people a personal cheque?

24 Why introduce a Bill 51 that will
25 only complicate the issue?

If Bill 51 is passed, I am sure my
children and my children's children will



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3 begin to lose their incentive; that
4 which makes Canada stand out in the
5 world. Why should my son want to work
6 hard to own a home that costs \$100,000.00
7 an will require a \$20,000.00 down
8 payment,

- 9 - ar \$800.00/month payment on the
10 mortgage,
11 - a \$150.00/month payment on taxes,
12 - a \$50.00/month payment on lights,
13 - a \$75.00/month payment on heat, and
14 - a \$50.00/month payment on maintenance.

15 He will also require a garage to
16 house a lawn mower, a snow blower,
17 small tools, lumber, plumbing supplies,
18 rake and other utilities to work
19 around the house.

20 He will have to come home and fix a
21 tap, cut the lawn, shovel the snow and
22 maybe if he is lucky his children help
23 him do this.

24 But he won't do this if the Bill 51
25 gets started because he can have a two
bedroom apartment with stove, fridge,
dishwasher, washer and dryer for \$400



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(a month) and the lights are paid for,
and the heat is paid for.

- He won't know how to fix a tap,

- He won't shovel the snow,

- He only knows how to phone the owner
when he has a problem.

I own my own house and I'm very
proud of that fact.

I want my son to buy his own house
even if it takes a \$20,000.00 down
payment and a \$800.00 month payment.

I don't want (him to have) a \$400.00
month apartment waved in front of his
nose - not because I'm mean, but
because:

- owning a home is the Canadian way.

- People in homes who cut grass,
shovel snow and fix taps are happier.

- They laugh more.

- They can solve problems.

- They can think.

- They can be (very)proud that they
did it their way.

- They don't need Bill 51 to put them
in (a) \$400.00 month apartment with a



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stove, fridge, ... and dryer, and ..."
Not having to pay lights, not having to pay fuel and
not having to cut grass.

"Bill 51 will not give them the menta-
lity to maintain a yard, a garden or a
place to make wine.

Bill 51 will put them in the fast
lane, in an institution before they need
an institution.

That is one way I feel Bill 51 will
affect my children and I don't want
it to happen.

It takes approximately \$800.00 a month
to buy a home.

I rent two bedroom apartments for
Poli Rentals that have a stove, fridge,
diswasher, washer and dryer and the
grass is cut, the heat is paid, etc.,
etc. for (only) \$400.00 a month.

I rent four bedroom townhouses for as
little as \$325.00 (a) month, and the
grass is cut, the snow is shoveled and
the repairs are done.

You tell me how Bill 51 is going to
help my son think of owning a home



tomorrow."

Under these circumstances:

"One way to help this situation is to give the needy what they need 'directly' and let the law of supply and demand make the necessary corrections.

I mentioned that Bill 51 may only compound the problem of 'who is getting the help?'

Will Bill 51 give to the needy?

Will Bill 51 give to the fixed income?

Or will Bill 51 give to the people that (really) do not require the assistance?

My employer is Poli Rentals which controls a multitude of apartments and townhouses.

It (sic) try to do the best job for my employer because he pays me every two weeks.

I am faced with this situation:

1. I have a one bedroom apartment for rent at \$300.00/month.

The applicants are:



(1) a student with limited funds,
... a mother with one child and \$6,000.00,
year income,
... a young couple earning \$40,000.00/
year, (and)
... a businessman earning \$50,000.00/
year.
- Who will I rent the apartment to?
- The student, the mother, the young
couple or the businessman earning
\$50,000.00/year?"

Situation No. 2:

"I have a two bedroom apartment for
rent at \$400.00/month.

The applicants are:

... two students,
... a mother with two children and
\$8,000.00/year allowance,
... a young couple earning \$40,000.00/
year,
... a businessman earning \$50,000.00/
year.

Situation #3 and ... #4 will have
(exactly) the same results.

I do not see the needy and the fixed



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3 income tenants getting the breaks they
4 need by Bill 51.

5 Let's be realistic.

6 Let's be Canadians with a goal --
7 'not a feedbag'.

8 Let's let our children set a goal of
9 owning a home and not training them to
10 take advantage of subsidized rentals.

11 Let's give to the needy and the fixed
12 income tenants by way of a personal
13 cheque and let them choose the place
14 they want.

15 If you really get down to it -- does
16 Bill 51 solve problems -- or does it
17 only create new problems

18 Thank you."

19 THE CHAIRMAN: Mr. Chrusz, you and
20 Mr. Sarti must be a dynamite team in putting together
21 briefs. Any questions of Mr. Chrusz on behalf of
22 Mr. Sarti? I think the committee exhausted its
23 questions on the first brief. Thank you very much
24 for your views from the full committee and the public
25 as well.

MR. CHRUSZ: Thank you, sir.

THE CHAIRMAN: Are the people here from
the Lakehead Social Planning



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3 Council?

4 MR. HANEY: Yes. The brief is being
5 distributed now.

6 THE CHAIRMAN: Yes.

7 I have served on many
8 committees and I have come to Thunder Bay a lot of
9 times and I can't remember any interest in which
10 the Lakehead Social Planning Council did not present
11 a brief and I am not surprised that they are here.

12 MR. HANEY: I am Steven Haney and I
13 am presenting this for the commission on behalf of
14 the Lakehead Social Planning Council Housing Committee.

15 THE CHAIRMAN: Are you ready to
16 proceed?

17 MR. HANEY: We feel that Bill 51 is
18 acceptable for alleviating housing concerns but
19 also we see some deficiencies in the proposed
20 legislation. In the matter of the residential complex
21 costing guidelines, we feel that the RCCI guideline
22 which may be 5.2 per cent next year or greater next
23 year will be significantly higher than the rate of
24 inflation. As most incomes increase at or below
25 the rate of inflation, if at all, most renters will
spend larger amounts of their income on housing
thereby decreasing their residual income which we



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3 feel should be increasing. This applies particularly
4 to the many renters on fixed incomes.

5 Statistics show us that in 1981 nearly
6 350,000 renting households were paying out more than
7 25 per cent of their gross income in rent. If we
8 consider that renters spending more than 25 per cent
9 of their income on housing are facing an affordability
10 problem, then it should be apparent that these numbers
must decrease, not get larger.

11 In the issue of rent review administrator
12 the LSPC Housing Committee feels that in view of the
13 geographical and demographical nature of Thunder Bay
14 District that a rent review administrator should be
15 located in Thunder Bay. Considering that the two
16 major Ontario cities to the north of North Bay are
17 Sudbury and Thunder Bay, and that these two cities
18 are separated by some 650 miles, and that their
19 respective inhabitants regard them to be centres of the
20 north and northwest it is our contention that locating
21 a rent review administrator for this district other
22 than in Thunder Bay would constitute under representa-
23 tion and underestimation of the housing needs of
Northwestern Ontario.

24 We also advocate the appointment of
25 a representative from this district to the Rent



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3 Review Hearings Board.

4 The issue of roomers and boarders,
5 our housing committee advocates that roomers and
6 boarders enjoy the protection of the Rent Regulation
7 Act, Bill 51. As more and more renters face a lack
8 of decent, affordable housing they are becoming
9 increasingly dependent on accommodation in rooming
10 and boarding situations. Thus the nature of these
11 accommodations is becoming less transitory and
12 temporary and more often utilized as residential
13 accommodation alternatives by destitute renters and
14 thus should be regulated.

15 In view of Clause 11 having to do with
16 the Minister's role in advising the public on all
17 residential tenancy matters, we advocate the
18 establishment of a housing advocacy office in Thunder
19 Bay funded by the Ministry of Housing whose function
20 would be the promulgation of Ministry programs,
21 identification of those most in need of housing,
22 co-ordination of federal, provincial and municipal
23 housing programs, advocacy for those requiring decent
24 affordable housing, compilation of statistics and
25 analysis of the extent of the housing crisis in
Thunder Bay District. This office's function would
also include accessing social housing programs for



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3 those in need, assisting with applications for
4 municipal non-profit OHC and private non-profit
5 housing, assisting with landlord and tenant applica-
6 tions for residential administrative review and
7 residential rent review hearings. It may also act
8 as a referral centre for advocacy resources for
9 renters and landlords, provide information on the
10 Landlord Tenant Act with associated rights and
11 obligations, and promote consumer confidence and
12 involvement in housing issues. We also suggest an
13 arm's length relationship between this office and
14 the Ministry of Housing.

15 Regarding the exemptions from the
16 RCCI's of chronically depressed rents, we believe
17 that chronically depressed rent allowances should
18 be only made in cases where landlords are facing an
19 economic hardship. If this allowance is available
20 to all chronically rent depressed units it would
21 create a significant increase in affordability plagued
22 tenants and lead to large numbers of renters moving
23 to substandard housing.

24 With reference to Clause 55 dealing
25 with the six and under units, we feel there should
be a legal requirement for these landlords to comply
with the legislation as soon as possible and that the



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3 Ministry be required upon discovering an illegal
4 rent to initiate a rent recovery procedure for all
5 illegal rents in the past, regardless of whether the
6 landlord has filed before or after the prescribed
7 date. This is especially true for Thunder Bay as
8 the greatest proportion of our rental housing stock
9 fits into this category, as exemplified by the previous
10 brief.

11 In the area of an amnesty for landlords
12 filing before the expiry date, we believe the
13 Minister should be required to allow rent recovery
14 by tenants of landlords charging illegal rents in
15 the past, regardless of whether the landlord has
16 registered with the Rent Registry on time or not.

17 Regarding the costs no longer borne
18 clause, the Minister should also determine the rent
19 increase by his findings regarding capital costs that
20 justified a rent increase in a previous order and
21 that are no longer borne. It is only reasonable
22 for the tenant to expect that if his rent was allowed
23 to increase because of increased capital costs and
24 "Sweat Equity" of the landlord, and these costs are
25 no longer borne, then the rent should be decreased
accordingly.

In the matter of the proposed



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3 residential rental standards board, we believe there
4 should be a residential rental standards board office
5 located in Thunder Bay. This board should be
6 established as soon as possible and include tenant
7 representation and enforcement mechanisms. When
8 repairs are ordered and not carried out rent
increases should be disallowed, not just delayed.

9 Under Clause 77 respecting the elimina-
10 tion of economic loss for landlords, the rate of
11 return on investment should take into account capital
12 gains returns and be adjusted accordingly. If a
13 complex is sold and bought by another landlord, rent
14 increases allowed under this exemption from any new
15 landlord are in fact simply the renter guaranteeing
16 an investment for the new landlord and any new land-
17 lord thereafter. This amounts to the renters buying
the building over and over for each new landlord.

18 Regarding Clause 116 which states:

19 "Any person may, without let or
20 hindrance, organize or participate in
21 an association the purpose of which is
22 to secure and enforce the rights
established by this Act."

23 The LSPC Housing Committee feels that as this proposed
24 legislation relies heavily on tenant initiated actions
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3 to correct violations, there should be in place a
4 system of security of tenure that would prevent
5 specifically retaliatory evictions by a landlord
6 of a tenant initiating personal opposition to rent
7 increases above the RCCI and appeals to the
8 Residential Rent Review Hearings Board.

9 This is especially important in
10 Thunder Bay because although it has a population
11 of approximately 120,000, excluding the District,
12 there are no tenant associations serving this area.
13 Therefore, without this legislated protection against
14 retaliatory actions, there would be no protection
15 for any tenant in this area.

16 In summary, again we would like to
17 stress that because of the geographical and demo-
18 graphical uniqueness of Thunder Bay that our
19 recommendations be given serious consideration and
20 reflected in the proposed legislation on rent
21 regulations. We would also draw the Committee's
22 attention to the needs of tenants in this District
23 with regard to knowledge and awareness of their
24 rights and housing issues. A great part of the
25 proposed legislation requires tenant's initiative
action and in view of the absence of any formal
tenant's organization in this city and district we



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3 feel it is incumbent upon the Ministry of Housing to
4 begin vigorous education campaigns in this area to
5 educate tenants to their rights and obligations under
6 the bill. Such campaigns should also include
7 education or education matters of the Landlord Tenants
8 Act.

9 And finally, the Housing Committee
10 of the Lakehead Social Planning Council also recommends
11 that in order to avoid the bureaucratic problems
12 sometimes associated with government services, that
13 the offices for the Ministry of Housing services in
14 Thunder Bay have a location.

15 THE CHAIRMAN: Thank you, Mr. Haney,
16 for a very specific brief.

17 MR. HANEY: I appreciate that.

18 THE CHAIRMAN: Are there questions from
19 members of the Committee? Mr. Hennessy?

20 MR. HENNESSY: I would like to congratulate him on his brief and I have to say that the
21 rent review administration or something like that is
22 definitely needed in the City of Thunder Bay because
23 when you look at the City of Thunder Bay you are
24 talking about 250,000 thousand people, not 113,000
25 people because you have all these small areas as
far as up to Kenora and maybe up to Manitowage and if



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3 a person does have a problem in regards to rental
4 it is very, very difficult because you sometimes get
5 a stock reply and then they are after the member then
6 the member has to go to Toronto to try and find out
7 from the Minister's office exactly what the situation
8 is and I agree with this 100 per cent because they
9 are putting up a Workman's Compensation Board here
10 and the need is there. I also say that something
11 of this nature is needed because you are talking about
12 a lot of residents, a lot of people in far-away areas
13 and they can't reach anybody. If you had one area,
14 the people from Dryden or in that area are maybe not
15 alone and come in here with nowhere to go and get the
16 right answer. I applaud that suggestion and I
17 support you. Thank you.

18 THE CHAIRMAN: Thank you. We now have
19 Mr. Reville.

20 MR. REVILLE: Thank you very much
21 for your brief. This is my first trip to Thunder Bay
22 and very probably ever in my whole life I am sure and
23 I am sorry I have to see only the inside of a hotel
24 room. Maybe you could give me some facts about
25 Thunder Bay that I need to know. You indicated in
your brief in the part on RCCI
that you are concerned about an increase in homeless



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3 and street people. You are referring to Thunder Bay
4 District. Can you give me any indication of how
5 many people might be actually homeless?

6 MR. HANEY: Well, first of all I found
7 the numbers and the statistics in the Emergency
8 Shelter here in town the numbers are something like
9 400 persons.

10 I believe admissions are going down and the average
11 age used to be 35 and now you find 16-year-olds,
12 17-year-olds in there. They are either on the
13 street or there is a problem with drug addiction.
14 It is definitely increasing.

15 MR. REVILLE: Have you got any sense
16 of the relationship of renters to owners? What
17 percentage relationship, do you know?

18 MR. HANEY: Offhand, no.
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3 MR. REVILLE: Have you done some
4 work on tenants who would already have a portability
5 problem and the rental stocks that exist now?

6 MR. HANEY: Well, our role doesn't
7 include that. Yes, I am aware that that's a problem.
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10 (Inaudible)
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17 THE CHAIRMAN: Thank you. Mr. Epp?

18 MR. EPP: Mr. Haney, I was just
19 wondering are you aware that studies have been done
20 for Thunder Bay for a unit they could rent for \$625
21 a month and there would be about 43 per cent of the
22 people who rent would be able to afford those units;
23 is that right?

24 MR. HANEY: I am not aware of that.
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THE CHAIRMAN: Mr. Gordon?

MR. GORDON: Tell me, do you have any idea if there is much of a problem with, let's say, illegal rents in the area of Thunder Bay or is that strictly a minority situation?

MR. HANEY: I'm not that familiar with illegal rents here in Thunder Bay, but

I would suggest that it is probably no greater problem than other areas.

MR. GORDON: So it's not really a burning issue?

MR. HANEY: Not at this point, not to my knowledge.

MR. GORDON: Okay, that's fine. Thank you very much.

THE CHAIRMAN: Mr. Bernier?

MR. BERNIER: Well, if I could just follow up on what Mr. Gordon was talking about, the problem in Thunder Bay that you alluded to, is it a serious problem, the problems with the landlord and tenants here?

MR. HANEY: Again I think it all comes back to the education of these tenants and the public. We are not aware and government



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3 officials may not be aware and I in fact may not
4 be aware of the extent of this,
5 but you pretty well have to be aware of what your
6 rents are before you can stand up and try to adjust
7 them and as the Ministry becomes more intent on
8 educating the tenants I think we will see an
9 improvement.

10 MR. BERNIER: Well, on what grounds
11 are you recommending this tenants' association if
12 that's not a problem? On what grounds do you base
13 your decision?

14 MR. HANEY: For a tenants' association?

15 MR. BERNIER: Yes.

16 MR. HANEY: A tenants association ...

17 MR. BERNIER: You recommended a district
18 tenants' association be established.

19 MR. HANEY: It would be a tenants'
20 organization.

21 MR. BERNIER: You say lack of education
22 by the tenants. Why are you recommending that?

23 MR. HANEY: I didn't recommend that.
24 I certainly do agree with that, a tenants' federation.

25 MR. BERNIER: Yes.

MR. HANEY: I certainly agree with
that but there isn't one. What I said in the whole



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3 forecast at this point there isn't one in the forecast.

4 MR. BERNIER: That's right, yes, but
5 if there is no serious problem that you know of and
6 you are saying it's because of a lack of education
7 by the tenants, why are you recommending this?

8 MR. HANEY: I am saying that this is
9 a factor. I am recommending it because even now
10 it is more so the tenants have to be aware of the
11 problems and I think you can well imagine and you are
12 well aware being in this area, Mr. Bernier, that
13 we have ...

14 MR. BERNIER: I don't have a problem
15 in my riding, I can tell you. I don't have a problem.

16 MR. HANEY: There is probably an
17 attitude that you do get from tenants.

18 MR. BERNIER: I guess what I'm driving
19 at, is the situation as serious here as it is, say,
20 in Metropolitan Toronto? There is a problem down
21 there, there is no question about it but does it
22 exist here in Thunder Bay?

23 MR. HANEY: I can't categorically say.
24 I would suggest that there are a lot of problems
25 but I can't say to what extent. I am sorry.



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THE CHAIRMAN: This seems like a hard one, but I just haven't looked at it and that concerns licensing rooming houses, the recent decision by the City Council in regards to the rooming house issue; would they not take a lot of places away from people who are renting with the new rules they are bringing in?

MR. HANEY: Rooming houses, I am not aware of this.

THE CHAIRMAN: Council was going into that aspect of it where there would be five people who were living in homes not licensed.

MR. HANEY: Yes, they were talking about that aspect of it.

(Inaudible)

THE CHAIRMAN: I'm aware that they think the price of housing is the real issue and if a person would have a problem with a home they could probably stay there for about two weeks but after two weeks I think that they can't stay there. What are they going to do after they leave there? There are not that many houses available, less than one per cent.



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3 Unfortunately when a wife has a problem
4 with the husband and a marriage breakup, you get
5 people looking for subsidized housing and we've got
6 nothing to feed them. That's only a stopgap and
7 if the rental housing is overloaded and filled up
8 they have to depend on the goodwill of a neighbour
or friend.

9 MR. HANEY: There is no doubt that
10 the price of an emergency shelter ...
11 (Inaudible)

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13 THE CHAIRMAN: Would you recommend
14 that the government subsidize people that are having
15 that kind of problem where money is coming into
the house?

16 MR. HANEY: What do you mean?

17 THE CHAIRMAN: If a person has no
18 more money, if they haven't over \$500 a month and
19 they can only afford maybe \$375 or \$400, would you
20 -- at a certain level would you be in favour of the
21 government subsidizing them and give them the \$100
or \$125 if they need it?

22 MR. HANEY: Yes. Well, however the
23 government confronts this problem of people
24 spending 25 or 30 per cent of their income on rent,
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3 on housing and particularly for fixed income people.

4 Thank you very much,
5 Mr. Chairman. Thank you.

6 THE CHAIRMAN: Mr. Haney, thank you.
7 It is good to see the Social Planning Council play
8 a needed role and a necessary role in society.

9 A SPEAKER: Something further
10 on your presentation. Are you aware of -- I read
11 in your brief when you talk about regulating roomers
12 and boarders, in that situation, again not coming
13 from this community I don't know the degree to which
14 that certain group of citizens are being accommodated
15 with that form of rent. Do you have any figures you
16 could give us?

17 MR. HANEY: I am sorry, sir, I really
18 don't have the figures.

19 A SPEAKER: Now, I raised this
20 question at a hearing in Toronto where
21 specifically there is a double-edged sword to that
22 recommendation, the other edge is that once the
23 government gets involved that the standard gets
24 to be met, so that drains the rental market
25 and it will evaporate because they say "Look, if I



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3 have got to spend \$12,000 to make improvements to
4 my home to comply with certain by-laws and regulations,
5 then it's not worth my while" and there has been
6 evidence to say that if in doing and so recording
7 it with the rent registry I now have to record it as
8 income and so on and so forth,
9 that it will seriously affect the market. Do you
10 feel that we can strike a balance here or do you
11 run the risk that once government now gets into
12 that -- the fray that it won't allow the possibility
13 to actually hurt the very people that rent that form
14 of accommodation, it doesn't help?

15 MR. HANEY: Well, regulating roomers
16 and boarders ...

17 (Inaudible)

18 A SPEAKER: Clearly if there is a delay the
19 citizens in need specifically will get caught and
20 since it was two or three years away from here,
21 what is the answer, an income supplement, a more
22 structured income supplement?

23 MR. HANEY: As you say the balance
24 is (Inaudible) ... housing cost.
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A SPEAKER: And my final question, we have received one definition this afternoon, you indicated that housing subsidies or supplements, whether they are government subsidized, municipal sponsored should fall under this bill. Do you concur that we now have a complete approach to housing accommodations for all citizens and the government should play by the same rules

MR. HANEY: I haven't really thought about that.

A SPEAKER: I see.

MR. HANEY: Actually I am not prepared to make a comment on that at this time.

THE CHAIRMAN: All right, since you are on the verge of responding and you took your hat off as a committee member, I ask you to put your hat on as an individual and share with the Committee what it was in your opinion would be the reason in a sense that you were going to suggest that government should play by different rules. I haven't heard a good reason for it, that's why I'm asking to know where you believe this is ...

MR. HANEY: Well, there is probably



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3 nothing I can say at this point to shed any light
4 on that.

5 A SPEAKER: How long have you been on
6 the Council now?

7 MR. HANEY: This is my third year.

8 THE CHAIRMAN: May I just ask does
9 the municipality license rooming houses?

10 MR. HANEY: Rooming houses, no.

11 THE CHAIRMAN: You don't have to have a
12 licence to run a rooming house?

13 MR. HANEY: I am not aware of it, no.

14 THE CHAIRMAN: Thank you again, Mr.
15 Haney. The last presentation of the afternoon is by
16 Pilar Amaya-Torres. Welcome to the committee.

17 MISS AMAYA-TORRES: Thank you very much
18 for allowing me here to present my perspective on Bill
19 51 to you. I am a tenant member of the Rent Review
20 Advisory Committee and a resident of Thunder Bay.
21 I wish to make clear that I am speaking today as an
22 individual RRAC member and not on behalf of the
23 Committee and the new tenants on it.

24 As you have been advised, Bill 51
25 represents a compromise between the tenants and the
landlords as the Rent Review Advisory Committee and
is part of a delicately balanced package.



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3 In addition to Bills 11 and 51, the
4 package includes the yet uncommitted funding for 3,000
5 additional units per year in the co-op and non-profit
6 sector. My personal decision to sign the RRAC
7 report was based on a promise by the Ministry of
8 Housing that the financial benefits which Bill 51
9 grants to landlords would be balanced by funding for
10 3,000 units per year of non-profit and co-op raising
11 until the low-end need is met. I urge the Committee
12 to examine this vitally important component of the
13 RRAC report and its relationship to Bill 51.

14 Bill 51 contains some very positive gains
15 for tenants, including the rent registry and the
16 crackdown on illegal rents; the maintenance standards
17 board and the consideration of declines in maintenance
18 at rent review; and the costs no longer borne
19 previously on financing and recurring capitals.
20 Both tenants and landlords will benefit from the new
21 and streamlined rent review process and from the
22 Ministry's commitment to public education. Here in
23 Northwestern Ontario public education is of the
24 utmost importance, due to the lack of formal organiza-
25 tion among tenants and the difficulties which tenants
face in enforcing their rights, caused by vast geographic
distances and by lack of services.



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3 The Maintenance Standards Board has
4 the potential to be of the most significant assistance
5 to tenants in the outlying areas where property
6 standards seldom exist. The process of consultation
7 has in my view been a very positive approach to
8 forming legislation. It has allowed for the considera-
9 tion of some of the problems which specifically affect
10 tenants here in Northwestern Ontario. It has
11 provided an opportunity for the tenants and the land-
12 lords on the Rent Review Advisory Committee to better
13 understand each other's positions and I hope that
14 this process will be continued and expanded in the
15 future.

16 Again I thank you for the opportunity
17 to appear before you and I stress the need for
18 increased low-end supply, specifically the 3,000
19 units per year to maintain the balance of the RRAC
20 report.

21 THE CHAIRMAN: Thank you very much.
22 Mr. Gordon?

23 MR. GORDON: We are being held res-
24 ponsible for that 3,000-unit commission I'm sure.

25 THE CHAIRMAN: It's down the list yet.

 MR. GORDON: I wanted to ask you as
you are aware the trade-off for your rent registry
and maintenance



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3 and so forth is that tenants in Ontario will pay
4 higher rents next year than would be warranted by
5 inflation. Now, if you lived in a building as a
6 tenant where it was well maintained, you were
7 satisfied and many tenants are in this province,
8 would you be very happy knowing that your rent was
going to go up?

9 MISS AMAYA-TORRES: I have heard --
10 one of the things that I have done since I have been
11 on the committee. I use to live in Marathon. The
12 first summer I lived in Marathon -- I moved to
13 Thunder Bay in June. I advertised my name and
14 my phone number so that tenants would call me and
15 give me their opinions.
16 Most of the tenants that I've spoken with are not
17 happy with their standard of living here.
18 Now probably there are a bunch of others who didn't
19 phone me. There were a few who did phone me that
20 said that they don't mind the rent going up a little
21 bit and they were happy with their maintenance and
22 everything. The majority were really angry that
23 they weren't getting their maintenance, their rent
24 was being raised illegally, the landlord wouldn't
listen to them and there were a host of problems.
25 Most of these were low-income tenants, most of them



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3 were senior citizens and most were unhappy.

4 THE CHAIRMAN: Thank you, Mr. Gordon.
5 Mr. Reville?

6 MR. REVILLE: Thank you, Mr. Chairman.
7 Thank you, Miss Amaya-Torres for coming. I think
8 you're the first RRAC member that we've heard from
9 who has talked about the climate of the consensus
10 that was struck in quite the way that you've talked
11 about it. I am interested in following up on
12 Mr. Bernier's question. It's kind of a question for
13 the Minister there but I would never do that myself
14 and ...

15 A SPEAKER: Not here.

16 MR. REVILLE: I am trying to be
17 helpful to the Minister. It might have been
18 Mr. Jackson. I think what you said to us was that
19 you signed the RRAC report to maintain the delicate
20 balance. We've heard a lot -- boy, have we heard
21 a lot about the delicate balance in here.
22 We heard that several times. But one of the things
23 that was in the balance for you was the 3,000
24 additional units of social housing per year, in
25 addition to whatever the government was already
committed to doing. If that is not forthcoming,
what will you do?



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3 MISS AMAYA-TORRES: The 3,000 units
4 are in Engelhardt
5 and it would be for me the same effect as if the
6 guideline were reduced for the landlords.

7 MR. REVILLE: I see.

8 MISS AMAYA-TORRES: If the guideline
9 were reduced to the landlords they would know we
10 were building the 3,000 units ... (Inaudible)
11 It is all
12 part of the package and because of that it is really
13 needed in order to balance the increase even in this
14 area ...

15 MR. REVILLE: As a person speaking
16 for tenants you would feel gypped or cheated if the
17 3,000 units didn't come?

18 MISS AMAYA-TORRES: Yes.

19 MR. REVILLE: You know there is
20 nothing about 3,000 units in here. In fact we --
21 the Committee has no power to deal with that, we
22 have no power at all because that would be a program
23 of the government, not a legislative thing. It may
24 be that the Minister wants to speak.

25 MR. CURLING: That's right.

Thank you, Mr. Reville. You seem to have anticipated
my response or that and I would have thought that



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3 was so but you know that the -- what you said, the
4 atmosphere here was one of negotiation.

5 I am sure that you view the benefit with confidence

6 I hope from the RRAC, from the government

7 the things it laid down, in RRAC and all

8 that, you know, a fair policy that we have picked

9 up today in Parliament. We have also seen too it

10 that the supply program that we put on and is bold

11 and objective; aggressive. As a matter of fact

12 even just today I was heading to a rent appraisal

13 (Inaudible) The 3,000 additional units were

14 an integral part of this entire program, I

15 call it a crisis too. I think when one person is

16 out of a home I find that perhaps you are a person

17 that would solve this affordable rental units here,

18 that I think (Inaudible) ... and that is what

19 we are doing.

20 We are still trying to work out in detail how we

21 can get 3,000 and not something that we have pushed

22 aside and all I'm saying is that the confidence you

23 are building would be that 3,000 units --

24 If I may say, Miss Amaya-Torres, in Thunder Bay we

25 have put 1,100 units on our very presentation here

saying that (Inaudible)

We have also, once again, we addressed the problem



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3 of the need, the urgent need for more and also the
4 need for supplies and we have to do that all
5 around the province. So if I may say that, yes,
6 we are looking at 3,000 and I respect that
(Inaudible)

7 and with all the caution and the eye-brow raising
8 for the fact they say that we are -- "Oh, my God,
9 we've heard about this delicate balance." Nothing
10 wrong -- in the past
11 we never had landlords and tenants, certainly not
12 working out these problems and we're progressing in
13 the right way.

14 THE CHAIRMAN: Thank you, Mr. Minister.

15 A SPEAKER: It's not like an
16 announcement, Mr. Chairman, a long way from it.

17 THE CHAIRMAN: Mr. Jackson?

18 MR. JACKSON: If I can follow on that
19 this is in line with the Minister's final statement,
20 "We are progressing in the right way," do you agree
with that? Are you satisfied with that answer?

21 MISS AMAYA-TORRES: I would like to
22 see an announcement for the 3,000 units before
(Inaudible)

23 in the true spirit of Thunder Bay ...
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3 So the response that the public sector cannot
4 put them up right now I don't agree with that
5 because that's very different and I would be
6 satisfied if I heard a firm announcement that
7 3,000 units per year in the co-operative non-profit
8 sector were being delivered until the growing need
9 was met.

10 MR. JACKSON: Well, I would too.
11 I just had eight projects cancelled by the Minister
12 in my riding, applications. All eight were knocked
13 down and all co-operative, non-profit, many involving
14 churches, all eight were turned down by the Minister
15 just five days ago and I too would be most
16 anxious to hear because I don't know where the plan
17 is and we need those units for our senior citizens.
18 But anyway -- and I'm not going to tell them to move
19 to Thunder Bay, even though you've got a wonderful
20 community here they ...

21 Can I pursue that further?

22 It is a mystery to me when I talk to
23 anyone on the RRAC committee as to how this whole
24 concept of the Minister's commitment for 3,000 ever
25 got on the table in the first place and no one's
really given us a satisfactory answer. I mean, in
all discussions of this nature someone in collective



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3 bargaining or in the consultative process, someone
4 what they say puts it on the table, the idea of
5 here, someone has come forth, someone had to be
6 the first person to bring it up and suggest it and
7 so I guess I'm asking you because the Committee
8 would like to know who first raised this issue of
9 the 3,000 units, was it the government, was it the
10 landlords speaking for the Minister or was it the
11 tenant groups which were identifying need?

12 MISS AMAYA-TORRES: I would say it
13 was the tenant groups. I would say that it grew
14 rather. I can't pinpoint exactly where it was
15 pulled out of the hat. We in our famous weekend
16 at Niagara-On-The-Lake we discussed at great length
17 the problem of affordability and it was something
18 that the landlords were talking and said not really
19 growing there before that time and we gained their
20 support in having government funded low-income
21 housing at that time and it became part of the package.

22 MR. JACKSON: Okay. Well then, when
23 you say it became part of the package who was it who
24 was saying that this should form part of the
25 Minister's commitment back to you? I mean,
there is an identified need. We all agree that
we should find X number of units just like we can all



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3 sit around and agree that we should find a cure for
4 cancer but to say, now, how will we go out and do it?
5 Shall we get the doctors to start the research and
6 universities to do the research in this instance?
7 Should we put it in a bill that the Social Planning
8 Council will generate this? Who brought up the
9 idea the Minister should be providing this and I
10 guess more importantly, who presented it at the
commencement for the government?

11 MISS AMAYA-TORRES: I can't say who
12 brought up the idea originally because it was something
13 that came out of the discussions and there was a lot
14 of that (Inaudible) on our flip chart.
15 The point that identified it for me was the instant
16 where I realized that the government was going to
17 be in a single part of the package and it was,
18 perhaps you could say preventive was when the tenants
19 were talking about what was in it for the
tenants and Mr. Church presented it to us, that's all.

20 MR. JACKSON: Church?

21 MISS AMAYA-TORRES: This was the
22 -- the report coming from the government. I am
23 assuming that this came ...

24 MR. JACKSON: Okay, and Mr. Church's
25 position for everyone present is Deputy ...



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THE CHAIRMAN: Assistant Deputy
Minister.

MR. JACKSON: Assistant Deputy
Minister. So basically while Mr. Curling was not
at -- the Minister was not at your meeting ...

MISS AMAYA-TORRES: No, but I assume
that they had discussed that.

THE CHAIRMAN: Do you think so?

MR. JACKSON: But we had Mr. Church
and about two or three other people who were permanent
Ministry staff, who were there representing and
participating and part of the group building the
consensus? They were perceived by you as part of
the team, they weren't perceived as some bureaucrats
from the Minister's office who were sitting there
as observers and they threw in their ten cents.
We've been led to believe in the first presentation
from RRAC that they were fully members of the
committee, that they participated and voted and got
involved as part of the team.

MISS AMAYA-TORRES: Well, we didn't
vote.

MR. JACKSON: No, you didn't vote.
I understand.

MISS AMAYA-TORRES: We reached it by



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3 consensus and we -- I think that the main -- the
4 consensus fell to the tenants and the landlords.
5 The bureaucrats who were there had a great
6 deal of input and provided leadership and I think that
7 they were entitled to do that then
8 as far as this thing has gone. They were able to
9 bridge the gap between the landlords and the tenants and
10 provide some middle ground without really taking
anything away.

11 THE CHAIRMAN: Mr. Jackson, are you
12 going to let the Minister respond?

13 MR. JACKSON: Well, I'm staying on
14 this line of questioning and I won't deviate from
15 it in any way.

16 MR. CURLING: This is in the same line.
17 What I am hearing is
18 the suggestion -- is that the tenants are telling
19 you that they suggested -- Mr. Church brought forward
20 to me and said this is a suggestion. The group was
21 quite aware that at that time we had a half billion
22 dollar budget to ensure housing policy. That
23 total was in place. Any additional amount of money
24 we would have to go back to our ...
25 That we would have to move much more legal as a
matter of fact,



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3 It would have to go back to the treasurer and see
4 how this could be done. So Mr. Church of course
5 brought it forward and said that was a proposal
6 by the tenants. I get the impression that the
7 promise Mr. Church introduced them to -- Mr. Church
8 promised it and (Inaudible)
9 specific name, the tenants had brought it forward
10 and Mr. Church bring it forward to me for discussion
11 and as I said, it was something that we had been
12 working on and I wanted a commitment as to
(Inaudible) by RRAC.

13 MR. JACKSON: In fairness, Mr. Chairman
14 I asked the Deputy Minister to advise me about her
15 impression at this meeting in which the Minister was
16 not involved. So I mean if the Minister proposes
17 to suggest what is going on in the minds of his
18 deputy then he is free to do so but I was merely
19 asking a member of the committee how this thing
20 evolved, how it emerged and what is your -- if I
21 listen to you carefully I understand that you believe
22 that how it grew wasn't as important as the fact that
23 it appeared before the committee as achievable and
24 it was within the realm of the Ministry to do it and
25 that was a condition on the basis of which you signed
the accord and that Mr. Church was the messenger or



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3 harbinger of that information or promise or commitment
4 or whatever we want to call it, that it was
5 Mr. Church who indicated that, yes, it is possible
6 not "I'll talk to the Minister but don't hold your
7 breath" or not "It's guaranteed. Where do I sign?"
8 He said it's possible and we'll therefore pursue it.

9 MISS AMAYA-TORRES: Yes.

10 MR. JACKSON: It's not what the
11 Minister suggested. If you would like to respond
12 to that because I think the Minister is suggesting
13 something other than what you suggested was going
14 on in your mind's eye.

15 MISS AMAYA-TORRES: I don't think
16 Mr. Church presently is the issue.

17 MR. JACKSON: I agree.

18 MISS AMAYA-TORRES: I think that it
19 was the Ministry who ...

20 MR. JACKSON: Exactly.

21 MISS AMAYA-TORRES: And he really ...

22 MR. JACKSON: In other words if the
23 landlords aren't prepared to raise publicly the fact
24 that the Ministry honouring its package commitment
25 then they should also fall victim to any repercussions
that still might fall under amendment if the
commitment isn't honoured. They have an equal stake



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3 in it because they could be harmed by any amendment
4 since you realize that you made concessions.

5 The next question I had, Mr. Chairman,
6 on that line was when you first stated before this
7 Committee, you said the only reason for signing was
8 that based on this 3,000 commitment from the
9 Minister, that tells me that in the absence of that
10 commitment you were unwilling to sign off; is that
correct?

11 MISS AMAYA-TORRES: In the absence of
12 the commitment my major problem was with the guide-
13 line itself.

14 MR. JACKSON: That was going to be
15 my question.

16 MISS AMAYA-TORRES: And the effect
17 on low-income tenants but there are many ways right
18 now by which rents could be raised and illegally or
19 legally and as the whole package Bill 51 I think is
20 going to help tenants mainly due to the crackdown
21 on illegal rents. Now, as things are now, rents
22 could go up willy-nilly, without anyone overseeing
23 them and usually we have to suffer from illegal
24 rent increases and it's usually the people who can
25 least afford it, so it is a whole package. I know
it's been promoted and promoted as such but the



1
2
3 3,000 units are really important, 3,000 units per
4 year which does add up over time and those units
5 will help the chance of solving some of the problems of
6 affordability (Inaudible) ...

7 rental to help them on. Myself I would rather
8 see that in the form of non-profit co-op housing.

9 MR. JACKSON: I was trying to ask
10 Mr. Reville's question a different way. He was
11 saying what do you intend to do if you don't get it
12 I was trying to say what was the single-most important
13 issue that was on the table that concerns you the
14 most but that you said okay, well, I'll let it go
15 through because I know we have to give a little but
16 I can see what these 3,000 units which is tampering
17 with the supply side will be able to relieve our ...

18 MRS. SMITH: There is a point
19 of order here. No, I think that this is almost
20 like a jury now. You are asking, Miss Amaya-Torres,
21 that you're trying to say the single-most important
22 thing was this and she has told you as she has tried
23 to say repeatedly, she hasn't said one thing was the
24 single-most important, you tried repeatedly
25 and I think you ought to...

MR. JACKSON: Well, we're not all as
bright as you, Mrs. Smith.



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2
3 MRS. SMITH: It has nothing to do
4 with bright. I think you've pushed and pushed.

5 MR. JACKSON: I think the lady is
6 handling herself exceptionally well and she has
7 been most helpful to the Committee to understand
8 what it is that was going on.
9 My last question stands. I want to understand
10 exactly the single-most issue and what you are saying
11 to me is that the supply side would alleviate what
12 problems, the problems of illegal rent, the problems
13 of key money? What is the concession that you
14 wouldn't have given in the absence of that 3,000
15 units? That's another way of asking Mr. Reville's
16 question.

17 A SPEAKER: She answered that
18 question. She said the guidelines have to be
19 different.

20 MISS AMAYA-TORRES: The supply,
21 the increased supply remains my concern about the
22 guideline but it's not only the guideline itself
23 because there are the other ways (Inaudible)
24 and there is also the consideration of
25 it being cut down, so it isn't the fragment,
it's the ...

MR. JACKSON: Thank you.



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THE CHAIRMAN: Thank you, Mr. Jackson.

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Mr. Hennessy?

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MR. HENNESSY: Thank you very much

for your brief, it is very, very exceptional as far

as I am concerned. At least it gives us some

information. In your capacity do you get many calls

from local people for low-rental housing

Do you get calls from people?

10

MISS AMAYA-TORRES: Requesting housing?

11

MR. HENNESSY: Yes.

12

MISS AMAYA-TORRES: No.

13

MR. HENNESSY: No?

14

MISS AMAYA-TORRES: No. My name isn't

that well-known. I have only recently moved back

15

to Thunder Bay and people that have contacted me,

16

contacted me in response to my advertising and who

17

wanted information about the bill. I have had people

18

phone up and most of what I heard about was illegal

19

rents and repair problems.

20

MR. HENNESSY: Do you feel as I

21

mentioned, I asked a few people before in regards to

22

subsidization by the government for people making a

23

certain amount of money, do you say \$18,000

24

not enough to get along with two children

25

maybe and four people in the house and they only make



1
2
3 X number of dollars and some jobs don't pay that well
4 and (Inaudible) Would you be in favour
5 of the government subsidizing housing?

6 MISS AMAYA-TORRES: I would rather
7 see the government assist and promote non-profit and
8 co-operative housing.

9 MR. HENNESSY: But then when you get
10 them -- let me ask you another question. Being a
11 former member of the City Council I am quite amazed
12 to see the City of Thunder Bay advertise non-profit
13 housing and in the meantime they are charging over
14 \$500 for a one bedroom home, I think I've seen in
15 the paper, where is the non-profit? I mean, like
16 you know, it seems to -- it says non-profit housing
17 and if it's non-profit my understanding is it isn't
18 supposed to make a profit. But the average rate
19 they are charging is the going rate, what the average
20 charge is in Thunder Bay. I find it very, very
21 difficult to understand. Do you?

22 MISS AMAYA-TORRES: I don't know, it
23 may be a little difficult, but I don't know the
24 specifics of the particular building. I believe
25 apartments aren't being ...

MR. HENNESSY: Right, yes.

MISS AMAYA-TORRES: And that was an



1
2
3 older building and probably very expensive to
4 renovate and upgrade it.

5 MR. HENNESSY: But they got grants
6 from the government.

7 MISS AMAYA-TORRES: So what I imagine
8 is that if that were done by private enterprise
9 and the landlord has to obtain a return on their
10 investment plus management allowance, the rent would
11 be more like \$750 a month and so non-profit doesn't
12 necessarily mean rent geared to income but usually --
13 and I mean it should include rent geared to income
14 units, so that there could be a rent geared to income
15 units within that same building.

16 MR. HENNESSY: There is a few, yes,
17 there is a few. That's the reason why they got
18 grants.

19 A SPEAKER: I understand your
20 interest in the situation, Mr. Hennessy, but I don't
21 think it's appropriate to Bill 51 or Mrs. Smith could
22 provide it for us.

23 THE CHAIRMAN: Any other questions?
24 Mr. Hennessy.

25 MR. HENNESSY: Mr. Chairman, I would
like to thank the Minister on behalf of the Committee
for attending today because I know he is busy and we



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appreciate him being here.

MR. CURLING: Well, thank you.

THE CHAIRMAN: The hearings are
concluded in Thunder Bay and I thank everyone who
attended.

--- Adjournment at 4:20 p.m.

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Government
Publications

STANDING COMMITTEE ON RESOURCES DEVELOPMENT

RESIDENTIAL RENT REGULATION ACT

WEDNESDAY, SEPTEMBER 17, 1986



STANDING COMMITTEE ON RESOURCES-DEVELOPMENT

CHAIRMAN: Laughren, F. (Nickel Belt NDP)

VICE-CHAIRMAN: Ramsay, D. (Timiskaming NDP)

Bernier, L. (Kenora PC)

Cordiano, J. (Downsview L)

Epp, H. A. (Waterloo North L)

Knight, D. S. (Halton-Burlington L)

Pierce, F. J. (Rainy River PC)

Reville, D. (Riverdale NDP)

Smith, E. J. (London South L)

Stevenson, K. R. (Durham-York PC)

Taylor, J. A. (Prince Edward-Lennox PC)

Substitutions:

Hennessy, M. (Fort William PC) for Mr. Taylor

Jackson, C. (Burlington South PC) for Mr. Stevenson

Shymko, Y. R. (High Park-Swansea PC) for Mr. Pierce

Clerk: Decker, T.

Staff:

Richmond, J. M., Research Officer, Legislative Research Service

Witnesses:

From the Ministry of Housing:

Peters, F. H., Executive Director, Rent Review Division

From the Fair Rental Policy Organization of Ontario:

Armitage, J., Spokesperson

Individual Presentation:

Geiger, D.

From Homestead Landholdings Ltd.:

Bunting, B.

Individual Presentations:

Martin, B.

Manders, S.

Shaw, H. R.

From the Kingston Rental Property Owners' Association:

Smith, A.

From Dacon Corp. Ltd.:

Deslauriers, A., Residential Properties General Manager

From the Kingston and Frontenac Home Builders' Association:

Judge, G., President

From the Kingston District Chamber of Commerce:

Swaine, Dr. T.

Individual Presentations:

McKnight, R.

Danylchuk, K.

From the Kingston and Area Real Estate Association:

Storring, R.

From the City of Kingston:

Jackson, N., City Solicitor

From the Ontario Association of Property Standards Officers Inc.:

Allick, B.

Moorman, J.

Individual Presentation:

Smith, H.



STANDING COMMITTEE ON RESOURCES DEVELOPMENT

BEFORE:

Mr. F. Laughren	-	Chairman
Mr. L. Bernier	-	Member
Mr. J. Cardiano	-	Member
Mr. H. Epp	-	Member
Mr. M. Hennessy	-	Member
Mr. C. Jackson	-	Member
Mr. D. Reville	-	Member
Mr. Y. Shymko	-	Member

HELD:

Sitting in the East Ballroom, Ambassador
Motor Hotel, Kingston, Ontario, on
Wednesday, September 17, 1986

Nethercut & Co. Ltd.,
Official Reporters,
185 Richmond Street West,
Toronto, Ontario
M5V 1V3

Per: J. F. Waddell, C.S.R.



1 ---Upon commencing at 1:00 p.m.

2 THE CHAIRMAN: I would like to call
3 the Committee to order. We have a very full
4 agenda in Kingston. When the Committee started we
5 had to make some difficult choices about whether
6 or not to give everyone a lot of time but not very
7 many people, or whether or not to make sure everyone
8 who wanted to appear before the Committee would at
9 least have a few moments.

10 We chose to do the latter, so there
11 is not very much time, but we thought that was the
12 lesser of two evils. Better that everyone at least
13 have a partial day in court with the Committee.

14 As I said, we have a very full schedule
15 running right through until about 9:00 o'clock this
16 evening, so we want to get at it right now.

17 The Committee is an all party committee
18 and on my far right it is Jerry Richmond, the
19 Research Officer. Next to Jerry Richmond is Cam
20 Jackson, who is from Burlington South. Leo Bernier
21 on my right from Kenora. I am Floyd Laughren from
22 Nickel Belt, that is northwest of Sudbury.

23 Mickey Hennessey from Fort William.
24 Joe Cordiano from Downsview in Toronto. Yurie
25 Shymko from High Park Swansea. Next to Yurie



1 is Herb Epp from Waterloo North, and David Reville
2 from Riverdale Riding in Toronto.

3 We have some Ministry of Housing
4 people here with us today as well. The first
5 appearance in Kingston is from the Fair Rental
6 Policy Organization. Is John Armitage here?

7 MR. ARMITAGE: Yes.

8 THE CHAIRMAN: Would you have a seat
9 and make yourself comfortable?

10 MR. ARMITAGE: Mr. Chairman, I have
11 copies of my brief if you would like them now.

12 THE CHAIRMAN: Yes, please.

13 The Committee has become aware of the Fair Rental
14 Policy organization during its travels.

15 MR. ARMITAGE: Mr. Chairman,
16 gentlemen, thank you for the opportunity to appear
17 here today. I wish we were hear to debate the
18 issue and philosophy of rent control because I am
19 sure we can warm this room up. However, I must deal
20 with reality and I must deal with the Bill as it
21 is before us.

22 My company both builds and manages
23 apartments and new homes. I am involved with the
24 Fair Rental Policy organization and last year I had
25 the priviledge of serving on the Mayor's Committee



1 of Housing in this City to investigate the reasons
2 for the housing crisis in Kingston. I would like
3 to start by thanking you for coming to Kingston.
4 Staging your hearings here is a strong sign of your
5 commitment to find a sound housing policy.

6 Before starting my formal presentation,
7 let me give you a brief overview of some special
8 circumstances in Kingston. First, in the City of
9 Kingston and three surrounding townships, there are
10 over 10,000 rentable units. CMHC surveys about
11 7,000 privately initiated units and some 1,300
12 public initiated units.

13 In the upper end of the rental market,
14 say \$500 and up for a one-bedroom apartment, I would
15 guess vacancy rates are over 4 per cent. At the
16 lower end of the scale, however, it would be
17 difficult to wedge a mouse in. Finding low-end
18 accommodation is at the crisis point in Kingston.

19 In April the overall vacancy rate
20 was less than one-half per cent. The vacancy rate
21 for affordable accommodation was virtually non-
22 existent. Rent controls have encouraged the well-to-
23 do to stay in apartments and enjoy the benefits of
24 4 per cent money rather than moving up and out. As
25 a result, people who really need lower-end units find



1 accommodation almost impossible. They must compete
2 not only against their more knowledgeable and
3 sophisticated middle-class neighbours, but also
4 against our annual influx of some 11,000 university
5 students, most of whom seek rental accommodation.

6 I personally find the problems
7 controls have brought frustrating. Families with
8 incomes of \$40,000 and up are living in apartments
9 with rents as low as \$250 a month and that frustrates
10 me. I think Bill 51, if amended to reflect the
11 RRAC agreement, is the first step towards restoring
12 sanity in the rental market. It would act as a
13 small signal to the well-to-do tenants occupying
14 units desperately needed by the disadvantaged and
15 the days of ripping off the system may be coming
16 to an end. It would be an important first step in
17 restoring confidence to a debilitated industry,
18 a sign that the Government of Ontario plans to
19 recognize the private industry's role and will
20 provide encouragement to the industry to help
21 resolve the housing problem.

22 I would now like to begin the more
23 formal part of my presentation.

24 Our organization, the Fair Rental
25 Policy Organization of Ontario and of Kingston,



1 sees Bill 51 as an improvement over the original
2 six point rent control program introduced in May
3 of 1985. However, we strongly believe that needy
4 rentors should be assisted by direct rental subsidies
5 with the more well-to-do rentors paying fair market
6 rent.

7 We see Bill 51 as a step towards
8 restoring confidence between builders and investors
9 and the government of this province. If it is passed
10 in a manner that truly reflects the agreement
11 reached between the landlords and tenants on the
12 RRAC, it will prove to be a necessary new beginning
13 for the supply of rental housing in this province.

14 Bill 51 must reflect the RRAC agree-
15 ment. The original Residential Rent Advisory
16 Committee Report, was a delicately balanced document
17 representing the interest of both landlords and tenants.
18 The current Bill misses the point on several key
19 issues.

20 Fair treatment for pre-1976 buildings.
21 Bill 51 divided the rental industry into three
22 distinct categories, namely, those built prior to
23 1976, those built after 1976, and those which may
24 be built in the future. Each group of buildings will
25 be allowed to earn a different rate of return. It is



1 our concern that the rate of return allowed to
2 pre-1976 buildings is too low. These rates of return
3 were frozen by the original rent control legislation
4 put in place in 1975 and have been eroded with time.

5 The problem of affordability. Bill 51
6 does nothing to assist those tenants having problems
7 making their monthly rental payments. By continuing
8 rent control, subsidies to the more well-to-do
9 rentors of this province will be continued. It is
10 our belief that this government must respond to the
11 plight of needy rentors by direct rental subsidies.

12 The Rent Registry. We fear that
13 Bill 51 does not allow landlords sufficient time to
14 familiarize themselves with the requirements and
15 workings of the rent industry. A landlord should
16 not be penalized for minor non-compliance, but rather
17 be given the opportunity to remedy minor errors.

18 Historial rents. With respect to the
19 rent registry, Bill 51 makes new owners responsible
20 for ensuring the legality of rents at the time of
21 purchase. The process, which may require a complex
22 search as far back as 11 years to the inception of
23 control, assumes a sophistication which simply does
24 not exist among the small landlords who make up the
25 vast bulk of Ontario's landlords population. Bill 51,



1 as currently drafted, required rebates of excess
2 rent collected by a landlord during his term of
3 ownership, even when an innocent landlord has
4 inherited the original illegal rent from a previous
5 owner.

6 We feel rollbacks to lawful maximum
7 rents should, of course, apply. Rebates, however,
8 should become the responsibility of previous owners
9 and tenants should be required to seek recourse from
10 those previous owners.

11 Chronically depressed rents. In the
12 interest of time you can read what I am saying here.
13 Basically it points out that under section 88(1) and
14 (2) chronically depressed rents must be 20 per cent
15 below gross potential rent for comparable complexes
16 in terms of size, quality and location.

17 We feel that 20 per cent should be
18 changed to 10 per cent for the reasons I have stated
19 in the report.

20 The second criteria is the rate
21 of return on equity must be less than 10 per cent.
22 The third point is that the landlord must have owned
23 the property since November, 1982. If a building
24 qualifies, then the landlord is entitled to charge
25 an additional 2 per cent on top of maximum legal



rents until the building is no longer classed as chronically depressed.

However, if even through a lack of funds, the landlord allows maintenance standards to drop, the 2 per cent special increase will no longer be collectable.

We feel, first, that the qualifiers for chronically depressed rents are much too stringent and will exclude many landlords with very real problems relating to low rents and high operating costs.

Second, this provision is a classic Catch-22 situation. The landlord needs the extra 2 per cent allowance to raise rents to be able to afford repairs, but if he does not do the repairs he cannot raise the rents to get the money to do the repairs.

The third thing is tying the definition for chronically depressed rents to a historical date rather than duration of ownership suggests there has not been any problem since 1982. In actual fact, the problems have been accelerating of late because of further restrictions on rent increases.

Finally, the 20 per cent below



1 comparable properties is much too great a gap. A
2 more appropriate, a more helpful figure would be
3 10 per cent.

4 We recommend the Bill be amended
5 to change the 20 per cent qualified to 10 per cent,
6 remove the November, 1982 qualified to 10 per cent,
7 and allow landlords a period of grace with maintenance
8 standards until the building is generating sufficient
9 additional revenues to make repairs.

10 Consultation with tenants on capital
11 and maintenance expenditures. The industry acknow-
12 ledges its responsibility to tenants for proper
13 maintenance and recognizes the need for continuing
14 dialogue with tenants on such matters. However,
15 we are concerned that the current wording compromises
16 the right of property owners to manage their
17 enterprise prudently.

18 Consultation implies joint decision
19 making. We believe the final decision must continue
20 to rest with the party at risk, the property owner.
21 We recommend, therefore, that the legislation be
22 amended to require a dialogue rather than a consul-
23 tative process.

24 Compliance with standards. Section
25 15 of the proposed legislation prohibits landlords



1 who have not complied with the Residential Rental
2 Standards Board from applying to increase rents.
3 Again, Bill 51 is spinning out a possible Catch-22
4 situation. The landlord would be unable to effect
5 repairs because he does not have the money, and he
6 cannot get the money through increased rentals
7 until he does the repairs. If the increased rental
8 revenue is necessary to effect repairs, which will
9 be the case in many instances, then the rent increase
10 should be allowed and the work monitored to ensure
11 its completion.

12 There is a major problem too, basing
13 this section on local municipal standards which
14 vary widely across the province. We strongly urge
15 development of a system of minimum provincial
16 standards and their use as the test of maintenance
17 in this section.

18 Operating cost allowances. Section
19 72(a) of Bill 51 provides that the operating cost
20 allowance for a whole building review application
21 will be RCCI minus one percentage point. Paradoxically,
22 section 73 provides that the OCA will be RCCI where
23 an application is based on financial costs.

24 This does not reflect the RRAC
25 agreement which states that except in the case of an



1 application based on capital expenditures, the
2 operating cost allowance will be RCCI; thus, RCCI
3 and not RCCI minus one percentage point was intended
4 to be the operating cost allowance for all applica-
5 tions based on financial loss, economic loss,
6 financial costs, extraordinary costs, and chronically
7 depressed rents.

8 Only in the case of capital expenditures
9 did the RRAC agreement require the operating cost
10 allowance to be RCCI minus one.

11 Capital costs. Bill 51 provides
12 landlords a standard operating cost allowance. It
13 is important, therefore, to clearly distinguish
14 operating costs from capital expenditures. Capital
15 expenditures, historically, have been determined
16 under rent control legislation by reference to the
17 life expectancy of the assets. Generally, the
18 cost of an asset with a life expectancy of more
19 than one year was treated as a capital expense.
20 This system had the advantage of a relative
21 certainty. We would ask the Committee that this
22 method of defining capital expenditures and the
23 Bill be amended to reflect this.

24 Retroactivity. We feel this Bill
25 should not be retroactive but be effective on the



1 date of Royal Assent. The approval of this Bill has
2 proven to be a lengthy process which is causing undue
3 hardships for many small landlords. This hardship
4 has worsened by the retroactivity to August 1, 1985.

5 Residential Rental Standards. This
6 Bill proposes a Residential Rental Standards Board
7 with the power to enforce minimum provincial
8 standards and maintenance. We endorse the formation
9 of such a Board and urge that it be structured along
10 the lines of the Ontario New Home Warranty Program
11 and be administered by a Board comprised of industry
12 representatives, consumers, and government.

13 Costs no longer borne. Landlords
14 should not be penalized for conducting logical,
15 phased-in capital replacement programs which spread
16 costs for tenants over a number of years. It was
17 the intent of the Rental Housing Advisory Committee
18 to prevent abuse by repeated replacement of the
19 same assets. This Bill makes the costs no longer
20 borne provision retroactive to August 1, 1986. We
21 urge that the legislation specify that a cost
22 no longer borne reduction can only be made against
23 an asset for which a capital expenditure award
24 was previously made.

25 In summary, many tenants and landlords



1 have been critical of Bill 51. However, we believe
2 if this Bill is amended to accurately reflect the
3 RRAC agreement, a small first step will have been
4 taken to recognize a landlord's right to a fair
5 rate of return and a tenants right to adequate shelter.
6 It will be necessary that this new beginning is
7 followed up by government, tenants and landlords
8 alike to ensure greater co-operation and understanding
9 in the future.

10 Even more important than Bill 51
11 and the issue of rent control is the search for
12 honesty and fairness. As you travel around this
13 province you will hear many divergent views, indeed
14 many views reflecting great emotion. It is time
15 that the politicians of this province look beyond
16 the issue of the day, look beyond the issue of the
17 next election, and look ahead to the next generation.
18 Are the decisions made today fair and honest and
19 in the best interests of our children and grandchildren
20 who will seek housing in this province?

21 We know the system is not working.
22 We know we must find a better solution. Now is the
23 time for statesmanship. Now is the time for leader-
24 ship and vision. Long after those of you on this
25 Committee have retired, or have been defeated at the



1 polls, you will sit back and reflect on this
2 experience. I hope that you will be proud of
3 your contribution and that your contribution will
4 stand up to the test of honesty and fairness.

5 The system of rent control presently
6 in place in Ontario fails both tests. Rent controls
7 are a sad statement on your political morality.

8 THE CHAIRMAN: Thank you. Do any
9 members of the Committee wish to comment on the
10 contents of the brief or on their own morality?

11 MR. REVILLE: We have a fairly
12 crowded schedule, don't we, Mr. Chairman?

13 THE CHAIRMAN: Yes.

14 MR. REVILLE: We had better hold the
15 comments on our own morality, then.

16 THE CHAIRMAN: Any questions at all
17 for Mr. Armitage?

18 If not, thank you very much for
19 your presentation.

20 Is Dorothy Geiger here now?

21 Ms. Geiger, welcome to the Committee.

22 MS. GEIGER: Thank you.

23 THE CHAIRMAN: Make yourself
24 comfortable.

25 MS. GEIGER: I sent in a copy of it.



1 Did you get it or do you have it before you?

2 THE CHAIRMAN: We do not have it.

3 MS. GEIGER: Well, I changed it
4 anyway after I sent it.

5 My problem is, I am a small landlord
6 and I find it terribly difficult to understand.
7 After I wrote that I went to another meeting and
8 somebody explained it meant all different things and
9 I phoned Toronto and they said it meant something
10 else. So I think I am representative of small land-
11 lords in that situation. I don't know what it means.
12 I don't know what I have done wrong. All this
13 retroactive stuff is going to come in and catch me.
14 I don't know. It is very hard to tell.

15 MR. REVILLE: Excuse me, just a
16 second. We do have Exhibit 105 which is by Ms. Geiger,
17 I believe.

18 THE CHAIRMAN: You have it?

19 MR. REVILLE: I have it anyway.

20 THE CHAIRMAN: All right. 105 for
21 members who have that.

22 MS. GEIGER: Well, if you have that,
23 there are some points that I will comment on.

24 I did like the definition of
25 "tenant" as a person who pays rent. I mean if that



1 were only true. When I read the Bill I got into
2 it said, oh, once they pay rent at one specific
3 time then they stay on as a tenant.

4 My second point was that the landlords
5 in small cities have special problems which will be
6 made worse by this Bill, as far as I can see. This
7 is not a city with a continuous rent shortage. We
8 have seasonal peaks and lows. We have times when,
9 if there is a lay-off of 100 people, you can feel it,
10 if you happen to be renting something. Even now there
11 are ads in the paper with new apartment buildings
12 which have been built, probably with federal
13 subsidies, offering a free month's rent. It is
14 not a situation you are familiar with in Toronto
15 but I am sure it hits in a lot of smaller communities.

16 To me it seems to be addressing
17 a solution to a problem that exists in Toronto to
18 every part of the province. I think small landlords
19 have special problems. We are not as skilled as
20 the big ones. The standard way to keep a good tenant
21 is to me not to give them the rent increases and then
22 when they move out, you jump the rent. I have
23 friends who have done that. One who did it until
24 last year had this lovely young tenant, he was such
25 a nice young man she never raised his rent. Then he



1 left and somebody else moved in. She signed them
2 on at a much higher rent. They signed the lease
3 and said, oh, fine. Then they took her to rent
4 review and had it rolled back to 6 per cent above
5 where this other nice young man had been paying.

6 My friend was a widow in her seventies
7 and she needed the money. I saw the food supply at
8 her house sort of deteriorating in quality. She
9 started to count cups of coffee. While she was
10 lucky because she had a single family house which
11 had gone way up in value, and she sold it. There is
12 one house off the rental market.

13 But what you are talking about in
14 rents is the pension income for people who have no
15 other income. For myself, that is where I fit in.
16 It is part of my pension income.

17 I found in the last few years that
18 my energy is decreasing, the rentals are becoming more
19 difficult, and I don't see how this Bill helps me
20 a great deal.

21 I think small buildings are different.
22 I have said I have difficulty understanding this Bill
23 and so on. Well, I have two university degrees and
24 I used to teach math and I put my rentals on my
25 computer and I figure out for my little buildings



1 what are the profit and loss figures.

2 Well, for last year the high was 17
3 per cent on one building , this is on my capital
4 invested and the low was minus 22 per cent.
5 This year, the 17 per cent profit building is running
6 at a loss. It happens to need a bunch of repairs.
7 It had a vacancy which happened to come empty at a
8 time when there was no rental demand. You talk about
9 wild fluctuations. If I had all these little
10 buildings in one portfolio and it were treated that
11 way, sure, I can average out like a big building
12 does. But little buildings are different.

13 I have quite a bit of experience
14 running rentals. I did it during the 1970's when
15 I was in a rent control situation and went to rent
16 review. I have considered going again, but it is
17 simply not worth it. The rules have become more
18 complicated. Everybody who goes and succeeds
19 hires a consultant locally, and on a little build-
20 ing it isn't worth it.

21 Now when I went back into the
22 rentals this time, I went back in with things
23 which were not rent controlled. I purposely
24 selected them that way. I know that running
25 rentals is a risk taking business and if I go into



1 risks I go in where I can get out too. So I went
2 into mostly houses that can be converted into single
3 family houses. I can sell out. But I know there
4 are people who actually put their own labour into
5 buildings and that is not counted.

6 When you go to say how much money
7 did they put in, they put in labour. I think they
8 are really being done in.

9 The small landlord has been discrimi-
10 nated against in the present law because we used
11 to do our own repairs ourselves and you couldn't
12 count that in if you went for a rent increase. Now
13 I know it is going to be counted in, but is it going
14 to be counted in where you can say, well, I didn't
15 take those 6 per cent increases so now I can take them?
16 Can you count in your labour there, too?

17 THE CHAIRMAN: Mr. Peters, do you want
18 to try and answer that? Mr. Peters is with the
19 Ministry of Housing.

20 MR. PETERS: Well, the Act as drafted
21 allows for landlord's labour at cost to be introduced
22 into the capital equation, but there is no retroact-
23 ivity in that. When you are justifying a rent level
24 you are allowed to go back, though, and indicate
25 that the rent you are charging now would have been the



1 rent had you gone to rent review and taken
2 advantage of whatever increases were available
3 under the Act.

4 MS. GEIGER: But the landlord's own
5 labour was not available then?

6 MR. PETERS: No.

7 MS. GEIGER: So you are not allowed
8 to count it in?

9 MR. PETERS: The Bill is not retro-
10 active in that regard.

11 MS. GEIGER: No. I have known land-
12 lords in Kingston who simply don't get the capital
13 value out of their building when it came time to
14 sell. I am thinking specifically of one couple in
15 their eighties. They have not taken rent increases,
16 they had not gone to rent review, and when they went
17 to sell it had to sell partly for its value as a
18 rental.

19 You know, some young energetic
20 person will be going there and saying, well, I am
21 going to do this, that and the other thing. But
22 there is no way for the older people to get their
23 full value out.

24 I wanted to talk a bit about the risk
25 taking nature of rentals because I am carrying the



1 top part of the risk. If I have 85 per cent
2 financing and the value goes down 15 per cent, I lose
3 the whole 15 per cent. That is all my money goes.
4 The bank is left having its money kept safe.

5 But then I look at the rules for who
6 is going to get the big percentage money under the
7 rent increases. Well, if the bank rate has gone up
8 the 15 per cent, no problem. I can go in there and
9 collect that 15 per cent and pay it to the bank.
10 But I am going to be limited to 10 per cent and that
11 is going to be phased in, in some of the situations.

12 If you are a landlord depending on this
13 as income it is not very helpful to have it
14 promised to be phased in. Usually the risk taking
15 ventures carry a much higher rate of return than other
16 ventures, otherwise nobody takes the risk. I see
17 the landlords being offered, I think it is the long-
18 term 10-year Canada bond rate plus one per cent or
19 something like that. I don't know who wants to go
20 into risky rentals and all the problems involved
21 for one per cent over safe.

22 I am not a builder anyway, but I
23 can't see it ever attracting anybody to that kind of
24 thing.

25 As I read the Bill, I mean, it is



1 setting up protection for tenants and banks and
2 it is coming at the expense of the landlords. The
3 tenants, I read in the paper, they know it costs
4 \$65,000 to build a rental unit these days, but they
5 don't want to pay rent that reflects that.

6 Now, I looked at -- well, somebody is
7 getting a unit worth that much for less money, then
8 who is paying the difference? Is it the government?
9 Well, the government is going into some low rentals
10 for people who need the subsidy, but it is not
11 carrying it for the high income people. My daughter
12 came home yesterday, she is home here visiting from
13 the West. She was visiting a friend. Oh, boy, she
14 has got this terrific job making all this money and
15 she has an apartment for \$371.28 a month. Two
16 bedrooms and is it ever neat. I said does she
17 realize she is taking the food off of some landlord's
18 table? She said she never thought of that.

19 Well, that is the way I think of it,
20 because I have seen it. I have got to the age myself
21 where it is becoming not something I see for other
22 people. It is becoming reality for me as I get
23 older.

24 You know, the homeowners are taking
25 some of the subsidy, too. We had market value



1 assessment come in a few years ago and I got involved
2 appealing my own house. And I was looking at all the
3 figures and talking to people and a friend downtown
4 was so mad because her house was a single family and
5 had been way up, and the house next door had been
6 put way down because it was a rental property and at
7 that time rentals were going for a lower value than
8 single families because of the low rents on them.

9 I saw it myself, comparing my own
10 place to some other ones and I knew what they had
11 sold for and their assessment values were way down.

12 It is kind of hard to explain to a
13 lot of homeowners about it, but they are paying
14 higher taxes than the rentals are because of this
15 artificially created value.

16 Now, as I said, I can get out of
17 my rentals and I have started to. You can tell me
18 about phasing in profits and all that sort of thing,
19 but you told me a few years ago that rent control
20 was temporary and these buildings I bought would
21 not be controlled.

22 I find that the whole landlord-tenant
23 relationship has deteriorated in the last 16 years
24 just something dreadful. I had this one place for
25 about eight years and I can recall one tenant leaving



1 the place in a mess when they moved out. They
2 remembered the days of security deposits and how
3 you had to keep things neat. Now I go to the
4 tenants two days before they are moving out, are
5 you ready? Here is the time when I will come and
6 check through the list together. I have a check
7 sheet from when they checked in. Well, the last
8 one I had she signed that she was moving out and
9 she didn't go. I had this other family on the door-
10 step with their trucks. I had to hire somebody to
11 move this furniture out and put it in storage.
12 Total tenant irresponsibility. She didn't care what
13 piece of paper she had signed.

14 I started to add up these little
15 incidents that I had just this year compared with
16 what I had -- I mean the problems have increased
17 3,000 per cent and it is partly because there is a
18 government office here in town telling the tenants
19 all about their rights and what right is there for
20 the landlord? I had to go to the Sheriff's office
21 to get an eviction, they were all saying that
22 Landlord and Tenant Act is a licence to steal.
23 They can stay in there 15 days without paying rent
24 before you can even -- well, anyway, that's not
25 your committee's business.



1 I belong to the Fair Rental Policy
2 Organization. I have had their literature and I
3 know they support this. Most of them running it
4 are big landlords. I think for the small -- if
5 you are in this for the long term and you are in a
6 corporation and they are paying you a salary it
7 doesn't cut into your income. But if you are a
8 small rental with your own buildings -- I mean this
9 is your money that is being held up. It is my
10 money that is subsidizing these rich young yuppies
11 who are earning their \$45,000 and living in a nice
12 rent controlled building.

13 Well, I don't support it.

14 THE CHAIRMAN: Thank you. Any
15 questions from the Committee? If not, thank you
16 very much for your presentation.

17 MR. BERNIER: Thanks for your personal
18 experiences.

19 THE CHAIRMAN: Is Mr. Bunting here
20 from Homestead Land Holdings Limited? Welcome to the
21 Committee.

22 MR. BUNTING: Thank you very much,
23 sir.

24 THE CHAIRMAN: Do you have a copy of
25 your brief?



1 MR. BUNTING: We submitted a written
2 brief, Mr. Chairman. This is just some notes on
3 some further items that we wanted to bring forward
4 at this time.

5 MR. REVILLE: 101, Mr. Chairman.

6 THE CHAIRMAN: All right. Whenever
7 you are ready.

8 MR. BUNTING: I am representing my
9 employer, Homestead Land Holdings Limited, who have
10 been building and operating residential rental
11 properties in the City of Kingston since about
12 1955.

13 We support Bill 51 because it offers
14 some encouragement for investment in the rental
15 projects, chiefly by offering some rate of return
16 on equity and by simplifying procedures for
17 settling rent increases.

18 We feel that in recent years
19 Canadian investors, perhaps not the foreign ones, but
20 certainly the Canadian investors, have not looked at
21 rental properties for investment opportunities because
22 of the rent control laws and the fact that they
23 not only didn't get much return on their equity but
24 it was very difficult for them to realize the
25 investment if they wanted to get out.



1 An investor has to have profits to
2 keep up with inflation and to generate money for
3 reinvesting. If he can't get that from a project,
4 then he is not going to invest in it in the first
5 place. I think this is being rather clearly
6 demonstrated by the lack of new rental construction
7 since probably 1975-76 despite the fact we have
8 very low vacancy rates and the fact also that so
9 many landlords have gone out of the business. I
10 don't think there is any other sector of the
11 economy that has been so strictly controlled for
12 so long as the rental industry in Ontario.

13 Even the other essential things of
14 the economy such as food, clothing and transportation
15 haven't had the same type of control placed on them.

16 We hear it said that the ownership
17 of a rental property is money in the bank. If this
18 was really the case, there would be far more
19 construction going on now than we actually see. I
20 think the only reason there has been some construction
21 in recent years has been the fact that governments
22 have chosen to put taxpayers' money into the project
23 with the private sector. That I think is not
24 necessarily -- it might have created some more
25 apartments, but it hasn't helped the general economy



1 of Ontario and I don't think it is having a lasting
2 benefit.

3 Some of the other positive aspects
4 of Bill 51 we feel are that it recognizes that the
5 costs of operating a rental building are not the same
6 as those of living in a private dwelling. There
7 are certain specific costs which apply for those
8 buildings and now Bill 51 is recognizing this and
9 recommending or has drafted this RCCI calculation.

10 The provision for equalization of
11 rent is a very good one. This doesn't affect
12 landlords so much as it effects tenants. We have
13 had many tenants coming in and saying "Why am I
14 paying \$20 or \$50 a month more for this apartment
15 than somebody down the hall is?" This will enable
16 that inequity to be levelled out.

17 There is provision for determining,
18 as I understand it, the maximum legal rent that
19 may be obtained for an apartment. Again this is
20 a very important provision or concept, particularly
21 for the renting up period of new buildings when
22 most commercial landlords realize they are going
23 to take some losses until the building is filled up.

24 The ability to recover capital
25 expenses from certain groups of tenants



1 who directly benefit from those expenses rather than
2 having to spread them over all the tenants. There
3 is also the recognition that some tenants request
4 or require extra services not normally included in
5 the rent of a property and this Bill appears to have
6 provisions that such charges can be made with
7 agreement with the tenant, for that specific tenant,
8 without affecting the rent of the apartment.

9 Our main concerns against, if I can
10 put it that way, against the Bill at the moment,
11 which were given in some more detail in the written
12 presentation, are first is what happens when Bill 51
13 comes into effect? There is going to be a very
14 tight time schedule there from the moment of enactment
15 until the landlord has to comply with all the different
16 limits set down in the Bill.

17 The longer it takes to pass the Bill,
18 the more retroactive we are. We are already looking
19 at not only August, 1985, but we have to look at
20 August, 1986 now because we have passed that time. In
21 fact, next week we have to issue our rent increases
22 for January which is supposed to be covered by the
23 RCCI issued in August which of course we are not going
24 to get, so I don't know what we are going to do
25 about rent increases.



1 But, there is, I suggest, a
2 provision perhaps for this in the initial transition
3 stage while Bill 51 comes into effect, to extend
4 those time limits a bit.

5 We are supposed to have the rent
6 registry in by October 1. Presumably that date
7 will be changed. But even so, we are supposed to,
8 within I think 90 days or 60 days, apply for retro-
9 active rent increases.

10 Now, from the time the Bill goes in,
11 the rules and regulations are drawn up, if they are
12 not available already. We have never seen them any-
13 way. And the actual forms are drafted, printed and
14 sent out. What are we looking at? Are we down to
15 10 days to get all this paperwork done not knowing
16 which way it is going to operate?

17 I think serious consideration should
18 be given to a sort of transitional time period, both
19 for tenants and for landlords, because we are going
20 to be getting to a complete new ball game with very
21 different rules.

22 The question of capital expenses,
23 which is addressed, if I remember rightly, in three
24 places in the Bill, but nowhere is there an actual
25 definition of capital expenses. We feel that there



1 should be some fixed definition rather than relying
2 on each person's individual definition of what a
3 capital expense is. This is particularly important
4 in the case where landlords and tenants have to meet
5 to agree to a certain expenditure affecting individual
6 units.

7 The Residential Rental Standards
8 Board. Again, this is a matter on the timing as
9 to whether these standards are going to be soon
10 available so that the municipalities are going to
11 be involved, know what they have to do, know what
12 stocks they are going to require, because we foresee
13 there could be a major delay in implementing
14 increases.

15 We have addressed the matter of the
16 buildings built before 1975, which seem to me now
17 almost deemed second class buildings in Ontario
18 because of different provisions applied to them. I
19 think one must never lose sight of the fact that
20 although one generally considers landlords to be
21 either big fat cats or big fat corporations, by far
22 the majority of the landlords in Ontario are the
23 small owners of small buildings, people who are
24 working for a living, people who may have retired,
25 people who may be self-employed and are looking to these



1 buildings to produce their equivalent of a pension
2 scheme as part of their investment portfolio. And
3 those people are and have been very badly hurt
4 by various rent control regulations for the ongoing
5 operation of the buildings, the complexity of the
6 regulations applying to them, and then finally the
7 restriction on how much money they can realize from
8 their investment when they want to cash in on it.

9 Prospects of new construction under
10 Bill 51. We feel that the provisions of Bill 51
11 definitely favour a reconsideration of rental
12 properties as an investment vehicle, chiefly because,
13 as mentioned before, provisions for rates of return,
14 simpler methods of gaining rent increases and so on.
15 However, one must remember that in the past ten
16 years we have had a lot of legislation, quite often
17 retroactive, put down on the industry and therefore
18 it will take perhaps a little more than Bill 51
19 to restore this investor confidence.

20 It may require statements from the
21 government, from the political parties, but one would
22 hate to make an investment, say next year or the
23 year after, under terms of Bill 51 only to find
24 out much later than the rules have changed again
25 and your investment is worth less.



1 I don't think construction could
2 start until later next year, or maybe even the year
3 after. One must remember to start a new project
4 you have to get the land zoning and planning approval
5 and get the costs worked out. We don't know whether
6 the Property Standards Act is going to lead to new
7 design problems in rental buildings. All these
8 delays, of course, add up to money and therefore
9 you are going to have to invest that much more
10 and be looking for more coming out at the end.

11 So I don't see it as offering an
12 immediate answer for construction but if it is
13 continued and if it gets support, I think there
14 will be a revision of the amount invested in rental
15 properties. New construction will then provide
16 for apartments on the market so that tenants who
17 wish to move or move up can do so. This then will
18 free apartments that tenants with lesser means can
19 move into and so on.

20 This at the moment should take care
21 of a lot of the affordability problem.

22 Now, we realize, none better than we
23 do because we have them living in our buildings,
24 that there are tenants who require assistance from
25 society because they simply do not have the means



1 to meet even a minimal rent level. We feel that this
2 is a problem that should be addressed on an individual
3 basis. With the various lay-offs and company
4 closures and so on that have been occurring recently,
5 it may be that a person needs some assistance for
6 three months, six months or something of that
7 nature. That is fine. Give it to him, but the way
8 the system works now is we are subsidizing people
9 who don't need it. We can't afford to give the
10 money right where it is needed and therefore there
11 seems to be this great gap in the whole set-up.
12 It has damaged the whole rental industry and still
13 hasn't helped the people who really need the help.

14 To add to that, I am saying we do
15 know the problems of tenants with low income. We
16 run 680 units under various federal and provincial
17 programs here in the City of Kingston. They are
18 renting now in probably \$250 to \$300 a month range.
19 The original agreements, some of which go back into
20 the fifties, were predicated on the amount of income
21 the people earned. And we are talking of
22 projects that started back then with a two-bedroom
23 apartment renting for less than \$90 a month.
24 However, the Landlord and Tenant Act says we cannot
25 evict somebody on income standards so they are filled



1 up with people who don't really need that amount of
2 assistance. How this problem can be solved I don't
3 know. I am not a politician, I just have to make
4 the thing work, or try.

5 We also have 170 units contracted
6 to the local Housing Authority, which are all
7 subsidized to some extent or another. I think the
8 average subsidy we receive works out to \$3,000
9 approximately per apartment per year. So that is a
10 lot of money, but there is a semblance of control
11 because the Housing Authority has the right to deal
12 with its own sub-tenants, I suppose they could be
13 called, whereas we don't.

14 This is why we particularly feel very
15 strongly that any assistance or subsidy program
16 should be directed to the individuals who really
17 need that help instead of trying to spread a blanket
18 over the whole industry or the whole of society,
19 because I don't think there is any way we can afford
20 that and I think we have enough deficits to prove
21 that now.

22 As I started to say, we support
23 Bill 51. We think it will lead to improved confidence
24 in the rental industry and in investors, and will
25 lead to an increase in the available rental apartments



1 in Kingston and in Ontario.

2 Thank you very much, sir.

3 THE CHAIRMAN: Thank you, Mr. Bunting.

4 Any questions of Mr. Bunting from members of the
5 Committee. If not, Mr. Bunting, thank you very
6 much.

7 Is Bob Martin here? Mr. Martin,
8 welcome to the Committee. Make yourself comfortable.

9 MR. MARTIN: Kingston has been
10 subject to a short supply of rental housing because
11 a few property owners in the City of Toronto took
12 advantage. The rest of the province was caught
13 in a cumbersome milieu of rent shortages and
14 growing bureaucracy because our government over-
15 reacted. The remainder of the province did not
16 need rent legislation and have not needed it.

17 A continuation of rent control will
18 cost too many, too much, and not address the very
19 real problem of affordability.

20 Bill 51, in my estimation, is the
21 first positive step to rid our province, our
22 municipalities of the plague of diminishing housing
23 stock. How can the average tenant, who is in fact
24 subsidized by homeowner taxpayers, come before your
25 hearing and ask for a continuation of freeloading?



1 Affordability, the challenge that
2 this Committee in all good conscious must address,
3 must be specifically directed toward those in need.
4 As the saying goes, the needy, not the greedy.

5 As a builder and manager of rental
6 units I have lived with diminishing rent levels. I have
7 received subsidies to built in a rent controlled
8 environment. But I do not believe that an adequate
9 supply of housing product can ever be realized in a
10 distorted market such as we are experiencing.

11 The so-called flip of the Cadillac
12 Fairview units may yet and again have repercussions
13 on Kingston's rental stock. Legislators, please keep
14 Kingston in mind. Let's not have a major reaction,
15 that kind of reaction that devastates the remainder
16 of our province.

17 Is it wrong for my mother and father
18 to have the opportunity to purchase a triplex that
19 might possibly appreciate and that somewhere down
20 the road they can sell for retirement security? Are
21 rent controls that distort that free marketplace
22 in fact violating their property rights?

23 In my estimation, again, the long-
24 term solution is supply of housing product and I
25 think that is the problem that you people have to



1 address, that we all have to address. It is all
2 our responsibility. And that is the end of what
3 I have to say.

4 THE CHAIRMAN: Well, you certainly
5 put your finger on the problem that we are trying
6 to address, Mr. Martin. There is no question it is
7 affordability and supply. That cuts through a lot
8 of fancy words and that is what it comes down to.

9 Are there any questions by members
10 of the Committee? Mr. Bernier?

11 MR. BERNIER: In your opinion,
12 Mr. Martin, if we went back to the supply and demand
13 system that we had some years ago, do you think we
14 could provide the affordable housing that is required
15 in society today?

16 MR. MARTIN: I think in most areas.
17 I don't know about Toronto. I do think in the
18 periphery of Toronto, and certainly in other areas
19 such as Kingston and areas outside of the larger
20 Toronto area, that in fact the free marketplace would
21 begin to bring the rent levels down. The competition
22 would be there and I don't think it would be the
23 devastating kind of situation that most people envisage.
24 I do think that the rent levels would come down.

25 I have said that I can live in



1 this distorted milleau of a mess that we are
2 experiencing here. But I think it is costing too
3 much money. It is costing the government money that
4 a government can't afford to pay. I do believe that
5 rent levels would come down in the final analysis.

6 THE CHAIRMAN: I guess what is
7 discouraging is that we are being told by developers
8 that the cost of new rental accommodation is
9 between \$700 and \$800 a month without any subsidy
10 over ---

11 MR. MARTIN: I think it is, all right,
12 and you know that it could well be that some people
13 could not afford to live in new properties. But I
14 think the overall picture of the market itself
15 would allow people to live in houses or live in
16 rental accommodation in a more affordable way than
17 what the country is concerned about or the province
18 is concerned about. I think this would happen.

19 Like, what is happening to a great
20 degree at the minute is that, really to a great
21 degree there is no competition. If in fact you
22 can put products together you don't really have to
23 worry about renting. They are going to be rented.
24 So you don't have to strive the same way you would
25 if the marketplace were free.



1 THE CHAIRMAN: All right. Thank you
2 very much for your presentation.

3 Is Steven Manders here?

4 MR. MANDERS: Yes.

5 THE CHAIRMAN: Mr. Manders, welcome
6 to the Committee. Make yourself comfortable and
7 proceed.

8 MR. MANDERS: My name is Steven
9 Manders and I am a member of the Kingston Rental
10 Property Owners Association. I am a small landlord
11 and renovator. I have got a wife at home raising
12 two kids. I am not eligible for Canada Pension and
13 I am not eligible to buy a registered retirement
14 savings plan. Everything I have is riding on this
15 industry and all my hopes and my future.

16 To begin with I will cover a little
17 bit about the rent review system and then get into
18 Bill 51.

19 Is it the goal in our Canadian
20 socialist system to have everyone treated equally
21 and fairly at the hands of our government? Very
22 few countries in the world have achieved such
23 equality and fairness as our own government except
24 when it comes to the Ontario rental market.

25 It is like a lottery system which takes



1 from all, mostly the poor and gives the benefit to
2 the few, frequently with no regard to merit or need.

3 The winning number for the tenants
4 in the lottery is 010176 or less. The winning
5 number for the landlords is also 010176 or greater.
6 That is, January 1st, 1976, when rent controls came
7 in.

8 It has been said many times before,
9 but not in this context, that the beneficiaries
10 of rent control, i.e., very low rents, are often
11 the affluent. Similarly the housing shortage caused
12 by rent controls has forced the least qualified
13 tenants, the poor, to take the dregs of our rental
14 market and pay premium price. Is this socialism?
15 Is this really what we are after? Why wouldn't a
16 landlord choose a prosperous tenant over a poor one,
17 or ten poor ones, when a low priced unit comes on
18 the market? After all, he cannot afford to take
19 any risk on a low priced unit. Is this just the
20 results of some selfish landlord? How does our
21 government handle it?

22 Look at government owned subsidized
23 housing. 100 poor families and 100 middle class
24 families apply for 100 new subsidized rental units.
25 Who gets them? About half the needy will get in along



1 with half the middle class tenants, the idea being
2 it will help prevent it from becoming a slum. And
3 the poor won't be identified as such. For this
4 reason 50 middle class tenants have won a lottery,
5 not on merit, but on luck. 50 poor families won
6 a grand prize, a new one-bedroom apartment for
7 \$90 a month all inclusive or a three-bedroom
8 townhouse for \$185 a month.

9 As with all lotteries, there are
10 more losers than winners. 50 of the poor applicants
11 are two-time losers and are now being gouged in an
12 every tightening rental market, usually in the
13 non-rent controlled sector since few of the other
14 units ever become available. The deplorable
15 conditions, high rents and poor locations prevail.
16 Universal rent controls will never help these people.
17 That would just allow increases on already too high
18 rents.

19 Imagine the frustration these losers
20 must feel when they realize what they have lost
21 when they are equally well qualified. If all rents
22 were more equal there would be much less frustration
23 and discontent.

24 Our own medical system, for example,
25 is adamant about treating the richest and poorest



1 citizen in Ontario equally. What is there in Bill
2 51 to treat tenants equally as we do our own sick?
3 Has our tax dollar achieved a socially desirable
4 goal?

5 One clause in Bill 51 allows extra
6 rent increases for buildings that have chronically
7 low rents. I feel this is reasonable and necessary,
8 but it does not go far enough. For example, if two
9 identical buildings exist, one renting at twice
10 the rate of another, and that does exist, and they
11 come up for a rent increase, the cheaper one by
12 chance were allowed a 10 per cent increase while
13 the other got 5. The tenants in the cheaper apart-
14 ment cry foul.

15 Marion Dixon would write in the
16 Toronto Star about tenant abuse, yet both tenants
17 would have received an identical rent increase in
18 terms of actual dollars and the gap would remain.
19 Who is the abused tenant, the one with the low
20 rent and the 10 per cent increase or the one with
21 the high rent who got 5 per cent? This clause in
22 Bill 51 is needed but it doesn't go far enough.

23 Not one landlord in Ontario ever
24 built an apartment, knowing it was going to be under
25 control, because of that subsidy. But many have



1 become victims. They have been trapped after
2 the buildings were built. They now fear they will
3 be trapped again.

4 How do you avoid the trap? It is
5 easy. Buy General Motors stock, build a shopping
6 centre, buy a boat, go to Europe, but don't build
7 an apartment building. Landlords have become very
8 effective at avoiding this trap. There hasn't been
9 a single apartment building built with less than
10 25 units in Kingston in the last ten years despite
11 a vacancy rate of .09 per cent. Just think, not
12 one in ten years.

13 Since I wrote this, I have found one
14 four-unit apartment building in Kingston.

15 A ban on extra billing by doctors has
16 not nearly been effective in achieving this goal
17 as rent controls have been at destroying the
18 construction of small apartment buildings. Bill 51
19 is still better than our present legislation, but
20 do you really think it goes far enough to revive a
21 dead industry. The only apartments going up are
22 100 units in size, heavily subsidized, good for
23 stacking tenants up, lining them up, but is it really
24 what they want?

25 That is all that is being produced and



1 the private homeowner is subsidizing it to boot.

2 What is our objective? Bill 51,
3 while addressing some of these problems, does so
4 in such a conservative manner as to avoid antagonizing
5 tenants that it still is a lottery without a prize
6 for the landlords.

7 It is the hope of winning that sells
8 tickets even against high odds. Bill 51 effectively
9 protects the status quo, which is the mess we are
10 presently in.

11 It is unfortunate that Bill 51 is
12 following on the heels of an 8 per cent rent control
13 with its own built-in self-destruction, followed
14 by 6 per cent controls, 4 per cent controls. Bill
15 78, now Bill 51, all in only ten years.

16 Do you know how long it takes to
17 get an apartment building up, starting with the
18 arranging of the money, buying the land, zoning
19 changes, building permits and final construction?
20 It has reached the point where a landlord cannot
21 expect to complete a building under the same set
22 of rules that he began the project under. Even if
23 Bill 51 were a good compromise between landlords and
24 tenants, is there enough in it to revive the industry
25 or does it just protect the status quo?



1 I understand that in Bill 51 there
2 is a clause to prohibit major renovations which
3 constitute a new rental unit and only capital
4 costs may be passed on. Why would any landlord
5 want a vacant unit for several months, spend \$15,000
6 a unit, and then wait 20 years to get his money
7 back when he can have it back by doing nothing
8 in the first place, or earn bank rate interest
9 by doing nothing and not tie his asset up for 20
10 years.

11 If this clause passes there can be
12 no incentive for an owner or a purchaser to upgrade
13 except by a court order. There will be only patches
14 put on patches. Major renovations are not easy
15 or for the weak of heart, and the bank rate return
16 will only kill the renovation industry entirely.
17 Tenants are probably the biggest losers, bigger
18 than the landlords. Landlords can sell out at
19 any time and do something else. Often tenants
20 cannot. Even the tenants that have low rents
21 cannot get the goods, service and maintenance
22 they want even when they are willing to pay.
23 Politicians are also under increasing pressure
24 or this meeting would not have occurred. They are
25 looking for solutions that the THOM Commission



1 could not find in three years of study.

2 The THOM Commission was told it
3 could not drop rent controls, only modify them. The
4 press and public are now increasingly aware of the
5 problems and injustices of rent controls and are
6 in favour of helping only those in need. The public
7 is now aware of the losers.

8 Bill 51 does not require enough
9 to correct all these problems. It is facing the
10 right direction, however. If the Liberals
11 and Conservatives together could announce the
12 creation of a new tenant subsidy and the end of
13 rent controls, there would be no fingerpointing
14 except by the NDP. They would jointly get both the
15 credit and the blame.

16 But this would mean the end of the
17 rent controls and beginning of new construction.
18 Let's end the rental lottery and treat all tenants
19 and landlords fairly at the hands of our government.
20 Thank you.

21 THE CHAIRMAN: Thank you, Mr. Manders.
22 Are there questions from Committee members for
23 Mr. Manders?

24 MR. EPP: I have one, Mr. Chairman.
25 I presume that in making the suggestion about the



1 rent subsidy you calculated what it was going to
2 cost the Ontario treasury and could you tell us
3 what that estimate is?

4 MR. MANDERS: Well, our Kingston
5 Rental Property Owners Association, they have gone
6 over the numbers. I don't have them with me but I
7 do know the cost of presently subsidizing a lot of
8 tenants -- you just heard a few cases of what it is
9 costing. We know we are not getting a lot of
10 apartment buildings that are built. We know a lot
11 of the subsidies are going to people who don't need
12 them and that to me is a sin. They should be going
13 to the people who do need it.

14 What I am talking about is the
15 people who are not getting the subsidies and who
16 need them. I don't dare advertise an apartment
17 building at a low rent. I did that once for a day
18 and I couldn't use my phone for a week. Now when
19 I have a unit with a low rent on the market I will
20 just quietly tell a few friends and I have more than
21 enough applicants. There is a lot of losers out
22 there, they need a hand, they can't get into these
23 low rental units. I have one building, it is 15
24 units, 1,000 square feet per unit. It is a modern
25 building, all electric, and rents for \$270 a month.



1 One of my tenants used to own a 15
2 unit apartment building. He works full-time, his
3 wife works full-time and he owns some video parlours.
4 It is too good a deal for him to move out, but
5 nobody else can move in until he does. This is what
6 I see as a gross social injustice which rent controls
7 are maintaining.

8 MR. EPP: I recognize there are people
9 who are being subsidized through the rent review
10 process and who do not require it. However, in
11 recommending a new method I think that we have to
12 have some estimate of what it will cost us if we
13 were to even contemplate it. I am assuming that you
14 had some figures for us for Kingston?

15 MR. MANDERS: I didn't bring them with
16 me.

17 THE CHAIRMAN: The Kingston Rental
18 Property Owners Association is presenting a brief
19 at 3:00 so perhaps they will have some for us. I
20 do not know.

21 MR. EPP: Thank you.

22 THE CHAIRMAN: Thank you very much,
23 Mr. Manders.

24 Is Howard Shaw here? Mr. Shaw, thank you
25 for taking the time to come before the Committee.



1 MR. SHAW: I appreciate the opportunity.

2 I would like to address this initially
3 from a tenant's point of view. It seems I am in a
4 minority here today.

5 In the spring of 1982, my wife and
6 I checked out the availability and cost of "decent"
7 apartment accommodation in downtown Kingston.

8 THE CHAIRMAN: I am sorry, what year
9 was that?

10 MR. SHAW: 1982, sir. Spring of 1982.

11 We found a two-bedroom, two bathroom
12 unit overlooking the water and the Kingston Yatch
13 Club, approximately five minutes walk from City Hall
14 in a building about one-year old.

15 I ran into a couple of surprises as
16 a tenant. The first was that after making a few
17 calculations I found our shelter costs were consider-
18 ably less in the apartment than those of operating
19 my own home. I had a four-bedroom home, multi-level,
20 in a very nice area in the suburbs of Kingston here.
21 So I figured we found affordable and decent
22 accommodation.

23 The second surprise was that our
24 building was not under rent control so there was
25 no need or obligation for the owner to comply with



1 Part 11 of the Tenancy Act, yet he did so.

2 I am wondering now, or at the time
3 the increases came up, whether the 6 per cent and
4 4 per cent increases would have been less, and I
5 underlines "less", had rent control not existed.
6 He did not have to comply with the rent controls,
7 he could have charged anything he wanted, but since
8 rent controls, the four, the eight, the six and the
9 four per cent are not the maximum, they are the
10 minimum that owners take. If they want more they
11 go up from that point.

12 However, my greatest surprise was
13 learning that my unit and each of the other 88 units
14 in the building were government subsidized. I have
15 heard "government subsidized" several times here
16 today. I think I am going to use "taxpayer subsidized"
17 because the taxpayers are picking up the bill not the
18 government.

19 I couldn't understand this but it
20 seems very few apartment buildings are being built
21 so our government is offering inducements. In the
22 case of the building I live in, one of the inducements,
23 not the up-front grants because I don't know what
24 they are, but the second mortgage turns out to be
25 a half million dollar interest free loan.



1 Now, if you calculate that at a
2 very low rate of 9 per cent, that works out to
3 \$42 per unit per month on all the units in the
4 building. I can't figure out why.

5 In return for this subsidy some
6 18 or 20 units are made available to OHC or KHA.
7 I don't know how many exactly, but approximately 20
8 units are available to KHA, which is the Kingston
9 Housing Authority. And this is another government
10 agency which is in turn subsidized, et cetera,
11 by the taxpayer.

12 I couldn't figure out why this
13 was happening. Why the government has to pay people
14 to build apartment buildings when the vacancy rate
15 is less than one per cent. And I am talking about
16 Kingston, I don't know what it is in Toronto.

17 Landlords are supposedly becoming
18 very rich and wealthy owning and operating apartments.
19 Why aren't they building? Why aren't they rushing
20 in to take advantage of this market? They are just
21 not. The people who did build these buildings, or
22 who were building the smaller buildings, and one of
23 my predecessors mentioned he couldn't find a building
24 under 25 units in this City, I tried and couldn't.
25 A building that had been built in the last ten years.



1 I was afraid to say it because I figured I might have
2 missed it. But I have not been able to find a
3 building under 16 units that has been built in the
4 last ten years in this City.

5 The people who were building those
6 buildings are building shopping malls, putting up
7 rental buildings in the industrial parks and
8 building condominiums.

9 Now, the interest rate on that type
10 of construction has to be comparable to the interest
11 rate on apartment buildings, so why aren't they
12 putting up apartment buildings? It is not the high
13 cost of money. It can't be. It has got to be
14 something else. The only thing I can see is
15 your rent controls.

16 Another thing. Why is it necessary
17 to subsidize all the tenants in the building? I
18 appreciate them. I love them, but I certainly
19 don't need them. Why not subsidize those who are
20 in direct need? Why subsidize -- and I am not
21 alone in this -- there are an awful lot of people
22 who need the subsidy less than I do but I am still
23 getting it and they are getting it in one way or
24 another. I don't understand that.

25 So much for as a tenant.



1 I would now like to make a few
2 remarks and observations about Bill 51 from the
3 point of view of the small owner, smaller apartment
4 building owner.

5 By a smaller apartment building
6 owner I mean those people who own six to 16 units
7 in the City of Kingston. In the City proper, as
8 of the beginning of 1985, there were 310 buildings
9 containing approximately 2800 units. Now, I should
10 point out, I don't own any rental property. I
11 never have and I am certainly not going to under
12 the present political atmosphere. I have, however,
13 been involved in the rental industry from the point
14 of view of rent control since my retirement from the
15 federal government some ten and a half years ago,
16 so I do have some knowledge of the situation.

17 With respect to Bill 51, I would
18 like to make a couple of positive points about it,
19 and there are many others, but just the highlights
20 as I see them. I don't want to get into any great
21 detail.

22 Bill 51 appears to speed up the
23 process in some areas although I have to see how
24 it works first. It allows for the equalization of
25 rents. As you know, in a political panic, the



1 government eliminated the equilization of rents.
2 It allows for a return on equity in some buildings,
3 not all. We have a two-tier system of buildings.
4 It ties the guideline or statutory increase, whatever
5 you want to call it, to the building costs
6 or to the RCCI formula which is an improvement.

7 When we had 12 per cent inflation
8 we have a 6 per cent allowable increase.

9 It provides for pre-ruling on capital
10 expenditures and a pre-ruling or advance ruling on
11 your return on equity. And a very good thing about
12 it is that it seems to replace guideline with
13 regulation.

14 Now, guideline, the present guidelines
15 are subscribed to by a commissioner or they are not.
16 You never know when you go to rent review what
17 you are going to run into. Certain commissioners
18 will subscribe to this guideline, others will say
19 no, I don't, I won't, it is no good.

20 I guess the main reason I have to
21 give a limited approval to Bill 51 is that in spite
22 of the very high cost of rent controls to the tax-
23 payers and the recorded damage caused by controls in
24 Ontario and other parts of the world, the political
25 will to remove it is not there, therefore, I am



1 concerned that if we don't have Bill 51 on January
2 1, what will we have?

3 Some negatives about the Bill. One
4 is the Residential Standards Board covered in
5 section 14 and section 15 as they presently read.
6 Does the Ontario government intend to provide
7 funding to municipalities for the staffing or
8 additional staffing required to carry out rent
9 control inspections? Some municipalities in this
10 area do not have standards people. Who are they
11 going to send out?

12 There does not appear to be any
13 timeframe for the compliance by the municipalities.
14 Inspections could drag on for months and therefore
15 rent increases. What are the standards and why
16 is it necessary to establish standards when standards
17 already exist in most municipalities? I am
18 speaking of Kingston.

19 A minor point that could cause some
20 problems is the delivery of notices. If you look
21 at the way section 20(1)(a)(i) reads, a notice by
22 a tenant to an owner may be given to anyone, I
23 think -- how does it read -- who appears to be in
24 authority. Does that mean that somebody cutting
25 the lawn or doing the swimming pool?



1 The owner of the building, and I am talking about
2 the small owner, may never receive it simply because
3 the fellow doing the lawn doesn't know what it is
4 all about and puts it in his pocket and forgets it.

5 Another thing too, is holding
6 office at pleasure, and this is highly political,
7 by the hearing Board members, section 37. A hearing
8 Board member like a commissioner holds a quasi-
9 judicial position and we should not be subject to the
10 political whims and sniping of politicians for
11 political gain. The classic example is the situation
12 in Scarborough where you have the members sniping
13 at a commissioner for pointing out some of the
14 facts of life to tenants.

15 I also think that capital should
16 be defined and this was mentioned by one of the
17 previous speakers. Capital versus operating costs
18 should be defined in the legislation, not left to
19 discretion. I have seen this happen in hearings
20 under the present legislation.

21 Another thing. What criteria will
22 the Minister use in refusing to recognize capital
23 expenditures under section 93. That could be
24 pretty wild. The other comment that I have on
25 Bill 51, is that the timeframe for applications



1 could create considerable hardship, and I am speaking
2 now for the individual who works in the plants. He
3 is a teacher, he is a doctor, he is a dentist, he
4 works from the dining room table and he owns the
5 6 to 16 units. When you look at these timeframes,
6 some of them pretty wild, he has to, after the Bill
7 hits the street, becomes law and is proclaimed, he
8 has to get a copy of the legislation. He has to get
9 copies of the regulations, and when are we going to
10 get the regulations? They will be compiled after the
11 Bill has been passed, presumably. He has to study
12 them, find out what is in them, then he has to, by
13 a certain date -- when are we going to get the
14 regulations?

15 THE CHAIRMAN: I am glad that the
16 Ministry of Housing people are here to hear these
17 questions.

18 MR. SHAW: These are just practical
19 things that government seems to overlook.

20 THE CHAIRMAN: I agree.

21 MR. SHAW: Then suddenly he has to
22 register all his rents. Now, currently that is
23 October 1, but that date is down the drain. He has
24 to determine within 60 days of proclamation, and
25 he still hasn't got the regulations, whether any of



1 his buildings qualify for a retro-application
2 under section 37. Now, he has to look after any
3 application currently under the general application
4 area, section 71(3). You know, the whole building
5 review, equalization of rents, joint application.
6 He could run into a couple of applications under 85
7 and 86 as well as the advance rulings. Is there
8 some way you could -- and this has been mentioned
9 by one of the previous speakers -- is there some way
10 that you could spread that load out a little bit?
11 I don't know how you would do it but that is your
12 department.

13 I am talking about the person who
14 works off the dining room table, I am not talking
15 about the major owner who has the expertise and
16 accountants and so on that can do it for it.

17 Finally, over the past ten and a half
18 years, while attending several hundred hearings, I
19 observed the vast majority of tenants and landlords
20 are reasonable when it comes to the operation of the
21 apartment building. I am talking of tenants and
22 owners who speak of it as their building as well.
23 I also find there is an understanding by the vast
24 majority of landlords and tenants in relation to the
25 connection between increased costs and increased rents.



1 Most of them understand that.

2 The rents, without getting anything
3 new in the building, the rents are going to go up
4 because the taxes have gone up, the insurance has
5 gone up, everything has gone up. But just as you
6 have some greedy and gouging landlords, and I guess
7 that's why we are here today, you also have tenants
8 who want something for nothing; those few -- and
9 I have a note here -- those few who subscribe to the
10 Broadbent theory that someday everything will be
11 paid for by somebody else. Unfortunately, it is
12 these few who have contaminated the whole industry
13 and are responsible for our appearance here today.

14 Again, I would like to point out
15 another thing, what's good for Toronto is not
16 necessarily good for the rest of the province.

17 MR. EPP: You have a lot of support
18 there from people outside of Toronto.

19 MR. SHAW: Build your road and your
20 domes and whatnot, but --

21 MR. EPP: You have to accept the
22 dome. I am not from Toronto but you have to accept
23 the dome in that comment.

24 MR. SHAW: I don't know about that,
25 just as long as it doesn't get down to the taxpayers



1 shelling out for something that seems to be --
2 I don't know, every time you turn around now every-
3 body wants the government to pay for it. I hear
4 the local politicians saying that, well, we are
5 fixing this road, we only have to pay for 50 per cent
6 of it because the Ontario government or the other
7 senior government is going to pay the other 50 per
8 cent. Those governments took the money out of here
9 in the first place and they are giving us 90 cents
10 back. You are taking 10 cents in Toronto to
11 administer it. We don't need that.

12 THE CHAIRMAN: Thank you, Mr. Shaw.

13 MR. SHAW: Thank you very much for
14 the opportunity to speak. I hope I ---

15 THE CHAIRMAN: If you want to just sit
16 there for a moment, I think a couple of members
17 want to ask you questions. I urge them to ignore
18 your scurrilous comments about Mr. Broadbent.

19 MR. RICHMOND: I thought they were
20 dead on.

21 MR. SHAW: I saw those in the Ottawa
22 Citizen and I thought they were better than anything
23 I had read.

24 MR. BERNIER: If I could comment briefly
25 about your concern with respect to the taxpayers of



1 this province, it is obvious ---

2 MR. SHAW: I am a taxpayer.

3 MR. BERNIER: Yes, I realize that.

4 It is obvious we who seek your approval of this Bill
5 have some experience somewhere in some level of
6 government. I am just wondering, do you think we need
7 a Bill that covers 56 pages, 126 sections, bringing
8 in some kind of control system?

9 MR. SHAW: No, I don't. As I say,
10 the vast majority of tenants and owners realize
11 what is going on. The day of the owner sitting
12 down and making a deal with his tenant is gone. The
13 day of the owner sitting down and saying to his
14 tenant, how much am I going to raise the rent this
15 month, how about \$10 -- no, he just bangs out a
16 notice for six or eight or whatever it happens to be.
17 That's the minimum, that's the floor.

18 MR. BERNIER: Thank you.

19 THE CHAIRMAN: Mr. Shymko.

20 MR. SHYMKO: Yes, Mr. Chairman. I
21 think there has been a number of references to the
22 centralized control by the City of Toronto in terms
23 of its impact on the rest of the province. I just
24 wanted to ask you, the first witness had some
25 concern about section 51, on the compliance with



1 standards and he objected to the fact that it is
2 being decentralized to reflect each municipal area.

3 In other words, he is opposed to a
4 uniform, province-wide minimum provincial standard
5 and saying the fact that it is divided to reflect
6 municipal, local areas, he found this objectionable.
7 In view of your concerns about the sort of central
8 nature of how all of this came about, emanating from
9 Toronto, do you support the suggestion by the first
10 witness that we should have a province unified
11 minimum standard or would you support, rather, what
12 is presently in the Bill, that local municipal stand-
13 ards, which vary from part of the province to the
14 other, should be applied?

15 MR. SHAW: I am not too well informed
16 in this area but I would think that standards are
17 best drawn up locally and enforced locally. I
18 would suggest maybe certain minimum building standards
19 such as you get through CMHC, that type of thing.
20 But subject to what the Standards Board is going
21 to do or come out with, I would suggest that the
22 local people are doing it quite sufficiently and
23 quite capably at the present time.

24 THE CHAIRMAN: Thank you.

25 MR. REVILLE: The standards,



1 the maintenance standards according to the
2 legislation, will be established by the Residential
3 Rental Standards Board. The standards will be the
4 same province-wide. The enforcement will be the
5 responsibility of the local authority. I just wanted
6 to make that point clear.

7 MR. SHAW: Thank you. What I am not
8 clear about, maybe I wasn't clear, what I don't
9 fully understand is, what are these standards going
10 to be? Are they going to be somewhat or much more
11 tougher than the standards ---

12 MR. REVILLE: We don't know, we are
13 waiting on the government to let us know that.

14 MR. SHAW: I don't know it either and
15 I am not -- I am in the same boat as you are, I guess.

16 THE CHAIRMAN: Thank you.

17 MR. JACKSON: Mr. Shaw, I appreciate
18 the comments you have brought in your presentation.
19 I just wanted to ask you one quick question that has
20 to do with the concept of possible regional de-
21 control being phased in over five years. How do
22 you feel about that?

23 You flirted with that concept and I
24 just wondered if you had given that much thought
25 and if you could share with us your views on that?



1 I was going to ask you, but at some
2 point one of the deputants will advise me, how
3 severe the vacancy rate is in the community, but
4 that is a parallel if separate issue. I am more
5 concerned about the regional decontrol. We recognize
6 in Ottawa and Toronto, and perhaps even in Hamilton
7 to a degree, we have an acute rental shortage
8 problem.

9 MR. SHAW: I think that is one way.
10 There is a booklet put out by Richard Arnup of
11 Queen's on rent controls and he has touched on the
12 many ways of getting out of rent controls. I don't
13 know whether he has touched on that but the Ontario
14 government has already looked at that and given
15 it some thought several years ago. They classified,
16 I believe it was Sudbury, as a special area.

17 Now, I think that that would be a step,
18 a phasing out. I know that politically there is
19 no way you are going to turn rent controls off, but
20 I think one of the ways you could get out of it
21 gradually, would be the gradual phasing-out by area,
22 or phasing-up and out through the monthly rents.
23 But that is one way that I think would work. I think
24 you should give it a shot or give it some considera-
25 tion.



1 MR. JACKSON: One other supplementary
2 given we are on a short schedule. You talked about
3 the difficulties with the Standards Board and the
4 municipalities. We have raised questions about
5 this.

6 MR. SHAW: I don't know whether they
7 are going to be difficult. I am wondering how it is
8 going to work. I don't know.

9 MR. JACKSON: We raised exactly the
10 same question and we have determined that there has
11 not been substantive discussions within the government
12 between the Ministry of Housing and the Ministry of
13 Municipal Affairs. We are concerned that the
14 municipalities may not wish to take on the added
15 responsibilities but we have not been led to believe
16 that there will be provincial funds or taxpayers'
17 money allocated from the provincial government back
18 to the municipalities in order to monitor.

19 I guess I want to ask you this
20 question. Would you see the potential for a linkage
21 between communities who might phase out of rent
22 control and communities that would comply with the
23 Standards Board's supervision that in some ways
24 the municipalities would make the decision -- in
25 other words, to encourage municipalities to make



1 that decision. Clearly Metropolitan Toronto would
2 not consider phasing out of rent control. Their
3 Aldermen just would not go for it. But there are
4 communities in Ontario where the Aldermen might say,
5 look, there has to be a better way internally for
6 us to regulate building permits and standards,
7 for us to get a better shelter housing market which
8 provides security for everyone. Do you see some
9 linkage there between municipalities making those
10 decisions that we as legislators should examine
11 in drafting the final bill?

12 MR. SHAW: Yes, I see a linkage there.
13 I have to tie it to taxes, though.

14 MR. JACKSON: In what way, sir?

15 MR. SHAW: Well, in this respect.
16 What is it going to mean to, say, the City of Kingston,
17 or the Township of Kingston? The Township of
18 Kingston does not have anything, as I understand
19 it, in the way of standards. I moved there. They
20 don't have a standards set up or enforcement out
21 there. So if you tied something like that phasing
22 out to a local Standards Board, that is going to
23 translate into increased taxes. You are going to
24 have to staff that Standards Board. And politicians
25 do not want to raise taxes. Or there might be some



1 conflict there.

2 THE CHAIRMAN: It never stopped us
3 before.

4 MR. SHAW: You are too far away
5 for anybody down here. We can't get a shot at you.
6 Here you can walk up and take a shot right from the
7 hip and possibly hit something.

8 There is a connection there, a
9 definite connection. It is a case of what is the
10 trade-off? You are willing to trade-off one thing
11 for this, you want out of -- I think most politicians
12 want out of this rent control mess. I think most
13 of them would like to see it go away, privately.

14 MR. REVILLE: Why don't we do just
15 a bit of a straw poll?

16 MR. SHAW: I am talking privately.
17 Deep down, sooner or later it is going to kill the
18 government, pull down the government. So spread it
19 out a little bit. But how it would work locally, I
20 don't know. I am not in the political stream of things.

21 MR. JACKSON: You are doing very well.
22 Thank you very much.

23 MR. CORDIANO: Mr. Shaw, you alluded
24 in your comments to the days where a landlord could
25 go speak to the tenant and agree on, say, an increase



1 of \$10 or something. One of the fundamental points
2 of Bill 51 is to try and address the whole adver-
3 sarial atmosphere that existed under rent review.
4 Certainly that is in Bill 51 in its effort to --

5 MR. SHAW: It is a step in the right
6 direction.

7 MR. CORDIANO: -- to alleviate
8 those problems. Do you feel it is going to have
9 some success in that regard?

10 MR. SHAW: I think so.
11 You know, instead of landing at a hearing, the "we"
12 the "they" the good guys, the bad guys, the black
13 hats, the white hats, I think if you go through the
14 administrative process first you could solve a lot
15 of problems there. That will be less formal than,
16 say, the hearing, although the hearings here are
17 very good, very well conducted, but you still have
18 that adversarial type of thing.

19 MR. CORDIANO: Of course, the other
20 basic point about the hearing is what Bill 51
21 attempts to do is streamline the process.

22 MR. SHAW: Exactly, speed it up.

23 MR. CORDIANO: And also focus in on
24 what would be included as guidelines for rent review
25 hearings or hearing boards.



1 MR. SHAW: Well, as I see it now,
2 without the regulations, and I don't think the
3 gentleman from Housing has a copy, as I see it now,
4 the thing will be speeded up. You won't have to
5 deal with all this pile of documents and so on.
6 The RCCI formula will kick in or the method that the
7 RCCI will be used. I think it is a better process
8 than the one we have now.

9 MR. CORDIANO: Thank you.

10 THE CHAIRMAN: Mr. Shaw, the Committee
11 has enjoyed your presentation and I assume as you
12 leave that we have an agreement that you will not
13 quote Ed Broadbent and I will not refer to federal
14 government indexed pensions.

15 MR. SHAW: I paid for those indexed
16 pensions.

17 MR. REVILLE: No, we paid for them.

18 MR. SHAW: Thank you, gentlemen.

19 THE CHAIRMAN: The next presentation
20 is from the Kingston Rental Property Owners'
21 Association, Mr. Smith.

22 MR. SMITH: Thank you, Mr. Chairman.
23 We are glad to see you here in Kingston listening
24 to our obviously pro-landlord viewpoint.

25 My company, Homestead Land Holdings,



1 and many of the people I represent as President of
2 the Kingston Rental Property Owners' Association,
3 which I will refer to in the future as KRPOA,
4 are members of the Ontario Fair Rental Policy
5 Organization, which I guess is called FRPO or something
6 similar to that.

7 Today I am speaking on behalf of the
8 landlords in KRPOA who have not been able to attend
9 and make a presentation, and also as a member of the
10 Fair Rental Policy Organization.

11 Rent controls are the sole villain
12 with regards to our ever worsening housing crises
13 in Ontario. As most of us know, those individuals
14 politically responsible for the Ontario housing
15 dilemma are not accountable now but the impact of their
16 actions are being felt: (1) higher taxes through
17 loss of tax based expansion and massive subsidies
18 in an attempt to stimulate housing development; (2)
19 a great shortage of affordable housing for those
20 legitimately needing assistance. Never have and
21 never will rent control have a positive impact on the
22 production of rental housing through the private
23 sector.

24 Under the current system of controls,
25 the end result will be total social or state run



1 housing. This may or may not be the obvious goal
2 of the New Democratic Party. Socialists and
3 Communists believe in state control. The majority
4 of residents in Ontario are neither Socialists or
5 Communists.

6 My concern with this, of course, is
7 who is going to pay for this standard of housing?
8 Where will the tax dollars come from? We all know
9 how cost-effective government is relative to private
10 enterprise. Rent controls have taken an industry
11 which has directly or indirectly contributed
12 hundreds of millions of dollars to the economy and
13 turned it into an industry which is now starting
14 to gobble up hundreds of millions of dollars.
15 Thousands of jobs are not being created and possibly
16 being lost through lack of construction of rental
17 housing. New apartment construction per unit
18 creates 1.7 jobs.

19 Bill 51 represent many weeks of hard
20 work by individuals who, up until now, had totally
21 opposite viewpoints relative to the housing industry.
22 Those people have somehow come up with an agreement
23 which, although in no way perfect in either party's
24 eyes, has some common grounds which could be made
25 workable. In short, a compromise. The Bill which



1 was borne of that agreement unfortunately in many
2 cases lacked the chromosome package of both parents.
3 It has been altered or interpreted incorrectly in
4 some areas so that the original intent has been
5 lost or misconstrued.

6 If the original agreement is followed,
7 Bill 51 can have a positive impact on landlords and
8 tenants relations and the industry in general, includ-
9 ing new construction.

10 Some of the variations from the
11 original bill or accord, rather, are that the
12 operating cost allowance should be the residential
13 complex cost index, not RCCI less one per cent unless
14 it is an application based on capital improvements.

15 Residential standards. The intent
16 was to eliminate the increases where a property
17 was obviously neglected. I do not think it is fair
18 to allow frivolous or vexation complaints to hold
19 up an application to increase. I think that the
20 hearing officer should have the disrectionary power
21 when it comes to this, and perhaps be administered
22 at the local level.

23 Chronically depressed rent qualifyers
24 in some cases don't reflect the agreement intention.
25 I think that the change should be perhaps instead of



1 20 per cent down to 10 per cent or possibly 15
2 per cent.

3 There are positive factors. The
4 RCCI is an accurate way to fairly reflect the land-
5 lord's costs on a three-year moving average. This is
6 acceptable to most landlords and will allow them to
7 keep pace.

8 Rent equalization eliminates
9 animosity between landlords and tenants and allows
10 a fair rent level application. The same rent for the
11 same unit is very important.

12 Maximum legal rent allows landlords
13 to supply tenants with rent breaks and marketing
14 efforts in periods of high vacancy rates then
15 allows landlords to catch up when they pass on the
16 savings to tenants. A return on equity allows land-
17 lords to be recognized as other businessmen in
18 Ontario in our free enterprise system, at least as
19 it regards post-75 buildings.

20 The rent registry establishes a
21 finite time in which the landlord is required to make
22 rebates.

23 The credibility of the Housing
24 Ministry and the government through this Bill and
25 the consultation process has taken a step towards



1 | actually trying to resolve the housing crisis in a
2 | fair way to all parties. Capital costs can be
3 | identified on a unit-by-unit basis and rents
4 | adjusted accordingly. There is also a pre-
5 | determination of the allowance for capital expenditures.

6 | There are still many weaknesses in
7 | the Bill such as it creates or continues two classes
8 | of building, those occupied by pre-January 1st,
9 | 1976, and those after. There is no return on equity
10 | allowed for pre-1976 buildings. Small landlords may
11 | have difficulty with the rent registry, especially
12 | the small landlord who originally purchased the
13 | building and inherited an illegal increase. The
14 | rebate should be the responsibility of the person
15 | responsible for the illegal rent. I don't think it is
16 | fair to penalize the new owner and I think Dorothy
17 | Geiger referred to that earlier.

18 | With regards to maintenance,
19 | capital expenditures, I am concerned about the
20 | possibility of tenants being involved in capital
21 | improvement may not produce the desired effect. A
22 | transient resident, or one who does not swim, may
23 | not have an interest in a swimming pool being built
24 | on the property and accordingly not want to bear a
25 | rent increase reflecting the expenditure. It must



1 be clear that when this type of expenditure takes
2 place, all the units will share the load equally.
3 If there is no platform to hold up the proceedings,
4 it will benefit the building and the majority of
5 tenants.

6 The issue we have at hand is not a
7 political platform to be used for discrediting
8 another party or a point scoring game. The fundamental
9 issue is whether or not a climate of some confidence
10 can be created through a rental housing policy which
11 may just attract some residential building invest-
12 ment by private enterprise. To lose sight of the
13 realities of the situation and defeat or refuse to
14 alter Bill 51 will virtually destroy any possibility
15 of rebound by private enterprise into the rental
16 construction industry.

17 As you know, under Bill 11,
18 investments by smaller landlords have come virtually
19 to a standstill. Thousands of units are being
20 taken or have been already withdrawn from the market
21 prior to the introduction of Bill 11.

22 The reason, simply put, is that
23 owners of the duplex, the triplex and the sixplex
24 just can't cope with rent control. They do not or
25 cannot understand the complex procedures one must



1 follow in order to attempt to survive under rent
2 controls. Bill 11 is another attempt to cure a
3 symptom of the disease rather than cure the disease
4 itself.

5 Building sales, conversions and
6 demolitions, along with capital flight from the
7 industry, are all warning signs that something is
8 radically wrong. Our ultimate goal is to adequately
9 supply housing for all Ontarions. Housing must
10 be assured for all individuals and the program of
11 a direct subsidy to the less fortunate is a long-
12 term answer to the housing crisis.

13 Removal of rent controls, coupled
14 with the direct subsidies to those disadvantaged
15 to maintain a rent to income level of approximately
16 25 per cent, will create a building spree which will
17 exceed any government sponsored building incentive
18 and look after the tenants who need assistance, and
19 at the same time supply and demand will take effect
20 to level rents off as the number of units in the
21 market increases.

22 Relative to Kingston, post-76
23 units were showing signs of levelling off rent
24 increases of four or five per cent even before the
25 increased limit was dropped to four per cent



1 in August of 1985. Supply was exceeding demand for
2 buildings with rents higher than \$500 per month.
3 Incentives were being offered, such as one month's
4 free rent, in order to attract tenants. More build-
5 ings and direct subsidies to the 20 per cent of
6 tenants in Ontario who actually do need help will
7 resolve the housing crises.

8 Passing of Bill 51 in its original
9 form is a good step towards establishing a climate
10 under which the building industry can operate in
11 order to eliminate the housing shortage.

12 Rent controls just don't work. The
13 Government of France has just acknowledged that as
14 rent controls are now being attempted to be removed
15 in order to create housing. How long do residents of
16 Ontario have to suffer a housing shortage before
17 we wake up to the realities of the solution?

18 Relative to a comment that was made
19 earlier on the cost factors. I believe it is \$237
20 million or thereabouts that the current system is
21 costing. If you went over to a direct subsidy
22 system I believe the figures would drop to approximately
23 \$150 million. That information comes from Larry
24 Smith.

25 MR. HENNESSY: Thank you very much.



1 Are there any questions from the Committee?

2 MR. SHYMKO: With regard to your
3 introductory comments as far as the socialist-
4 communist environment, I thought it would be interest-
5 ing to note that it is my understanding that in
6 places like Beijing and Shanghai, I think you have a
7 free market economy now and that there has been
8 apparently an acceptance that rent controls are out,
9 following the example of France.

10 So, I would qualify when you refer
11 to communist environments because we may learn from
12 the People's Republic of China.

13 MR. SMITH: We all have lots of things
14 to learn in life. I have got a job, I am trying to
15 make a living at it. I am not able to make a living
16 at it under rent controls the way it is working now.

17 MR. SHYMKO: Anyway, the question
18 I had is the following: politics being 91 per cent
19 or 99 per cent perception and 1 per cent content,
20 your perception of this Bill 51, my understanding is,
21 that it is geared more towards the builder, the
22 corporate landlord rather than the small landlord
23 whose problems and frustrations are not being
24 resolved by Bill 51; is that correct?

25 MR. SMITH: No, I think Bill 51



1 supplies a light at the end of the tunnel for all
2 landlords. I think you have got a very, very sick
3 industry and this is one step that is going to help
4 a little bit.

5 MR. SHYMKO: Do you see Bill 51 as
6 restoring confidence in the investment community
7 towards housing?

8 MR. SMITH: Yes.

9 MR. SHYMKO: Do you see it as leading
10 eventually towards the elimination of rent control?

11 MR. SMITH: I hope so.

12 MR. SHYMKO: That is a clever political
13 answer. Thank you, Mr. Chairman.

14 MR. EPP: Speaking about the amount of
15 money that you think has to be injected, are you
16 basing that on Kingston or Ontario or ---

17 MR. SMITH: Injected relative to what?

18 MR. EPP: With respect to removal of
19 rent controls.

20 MR. SMITH: The direct subsidy program.

21 MR. EPP: Just having a direct
22 subsidy.

23 MR. SMITH: Direct subsidy program
24 has been touched on by Mr. Patterson and Larry Smith
25 and I believe in the THOM Commission it was referred



1 on one or two occasions. That is a province-wide
2 cost factor.

3 MR. EPP: With respect to your
4 comment earlier that you see this Bill, or you are
5 hopeful that it is a step towards the removal of rent
6 controls, I can assure you from the standpoint of
7 the government, that it is not their intention to
8 remove --

9 MR. SHYMKO: Oh, now we know.

10 MR. EPP: -- that they are here to
11 stay for some time and that this is not a step
12 towards their removal. Nevertheless, it is an
13 important first step to getting tenants and landlords
14 to working together. As you can appreciate, there
15 has been a tremendous step forward with regard to
16 that. It has always been a confrontational kind of
17 atmosphere before and with the creation of this
18 Committee and the proposals in Bill 51, it does
19 bring those two sides much closer together and
20 tries to eliminate the confrontational aspects.

21 MR. SMITH: Yes.

22 MR. REVILLE: In respect of the
23 consultation between landlords and tenants about
24 proposed capital improvements, that is an issue
25 we have heard quite a bit about. Most landlords



1 cannot really feature that working out very well.
2 Most tenants would like to have some involvement in
3 discussing just want capital improvements should take
4 place.

5 This is an area in which the Bill
6 is not very clear. Nor was the RRAC Committee able
7 to come up with, at least that we have heard yet,
8 a good way to deal with that.

9 What would you think about a kind of
10 tiered system of capital improvements, in which there
11 were some kind of capital improvements that were at
12 the absolute discretion of the landlord, and some
13 kind of diminishing discretionary ability on other
14 kinds? Is that a better way of doing it?

15 MR. SMITH: Well, it is very, very
16 difficult to rule by Committee. It is difficult to
17 get a consensus of opinion. I think you are all
18 very much aware of that in the situation that you
19 are performing now.

20 When it comes to a rental property,
21 if I have got 15 tenants here and 7 wanted, 7 don't
22 and the other doesn't know what he wants to do --

23 MR. REVILLE: That is a process
24 problem, if I may. Does it help at all if some kinds
25 of capital improvements do not require discussion and



1 the landlord goes ahead?

2 MR. SHAW: Certainly.

3 MR. REVILLE: Other kinds may be
4 discretionary. Should we try and refine that in some
5 way?

6 MR. SHAW: Certainly refining the
7 definition would help, yes.

8 MR. REVILLE: Thank you, Mr. Chairman.
9 Thank you, sir.

10 MR. HENNESSY: Thank you very much,
11 Mr. Shaw. Is Mr. Deslauriers here?

12 MR. DESLAURIERS: Yes, Mr. Chairman.
13 My submission is on behalf of my employer, the
14 Dacon Corporation.

15 Dacon Corporation Limited is a Kingston-
16 based private company. We own and manage over 1,700
17 residential units in the Kingston area and in the
18 City of Brockville.

19 Our company is a member of the Kingston
20 Rental Property Owners' Association and also a
21 member of the Fair Rental Policy Organization of
22 Ontario.

23 My presentation will concentrate on a
24 few of the provisions contained in Bill 51. These
25 provisions, we feel, if enacted, will be extremely



1 difficult to administer and may intensify the
2 adversary position between landlords and tenants.

3 Sections 14 and 15, the establishment
4 of a residential Rental Standards Board. This would
5 likely parallel or duplicate Standards Boards already
6 established in many municipalities leading to
7 confusion and to an additional burden on the tax-
8 payers.

9 As the Bill states, where the
10 Minister receives notice of non-compliance issued
11 by the Council of a municipality, the Minister shall
12 not proceed with an application for a rent increase
13 nor could the Rent Review Hearings Board proceed with
14 an appeal brought by a landlord in respect of an
15 order made on the landlord's application. Upon
16 receiving a notice of a rent increase in excess of
17 the amount permitted in the guidelines, some of the
18 tenants would demand that an inspection be made.
19 In some cases this could be for a very minor item.
20 Should a notice of non-compliance be issued, no
21 hearing or appeal would be possible.

22 As a result, the landlord would find
23 himself without the cash flow necessary to rectify
24 the very condition for which he is seeking an increase
25 beyond that approved by the guidelines. A never-



1 ending cycle would be established. Another important
2 possibility is the enactment of these two sections
3 could very well lead to repeated abuses by tenants
4 and local politicians.

5 Section 18. Where a landlord makes
6 an application to the Minister, the requirement to
7 give a copy should extent to the known and official
8 tenant only. There are times when the landlord does
9 not know about sub-tenants, I have had this myself,
10 because some of the tenants may allow someone else
11 to occupy the apartment without the landlord's
12 knowledge. Another opportunity for delay.

13 Section 20. Where the Act permits
14 or requires a document to be given to a person, the
15 Act specifies that a notice or document is
16 sufficiently given by handing it, where the person
17 is a landlord, to any employee of the landlord
18 exercising authority in respect of the residential
19 complex. But the Act does not define just who such
20 a person is. It would be very difficult for a tenant
21 to know just who has that authority. Could it be
22 the building superintendent, a maintenance person,
23 a painter? Indeed, some of these people could be
24 employees of a sub-contractor hired by the landlord.

25 A notice or document given to such



1 a person would most likely go astray.

2 Since it is essential that any notice
3 or document come to the attention of the landlord,
4 the Act should specify that a notice or a document
5 be given by delivering it or mailing it at the
6 address of the landlord, as shown in the tenancy
7 agreement, or at the address of the landlord stated
8 in the rent registry.

9 I feel that information would be
10 readily available.

11 Section 29. The Minister in respect
12 of any application under the Act may question any
13 person by telephone or otherwise. Nowadays, all of
14 us are subject to all kinds of telephone inquiries,
15 surveys, marketing research, et cetera.

16 We suggest that a large number of
17 persons, particularly older citizens would be reluctant
18 to answer questions over the telephone not knowing
19 justwhom they are speaking with. Other methods of
20 gathering information should be devised.

21 There is reference to convening a
22 meeting between the parties to the application. Our
23 feelings are that although it would appear that this would
24 lead to decisions and agreements, the reverse would
25 happen. This has been demonstrated over and over



1 again at rent review hearings. The result would be
2 a worsening of the adversary position which has existed
3 between landlords and tenants.

4 Section 79. In apportioning the total
5 rent increase amongst the rental units in the
6 residential complex, the Minister may take into
7 account the degree to which any capital expenditures
8 affect individual rental units. How is this to be
9 determined? Would this be based on the tenant's
10 perception of just how a particular project affects
11 his own unit? For instance, I agree a bit far-
12 fetched, is a roof repair or replacement of interest
13 to a tenant occupying an apartment located on the
14 first floor?

15 Then section 79 goes on to say that
16 rent may be set so that equalization of rents may be
17 achieved. We feel that these two items are in
18 conflict.

19 Section 83. Where a landlord desires
20 to increase the rent by more than the amount permitted
21 by section 68, the landlord and the tenants may
22 jointly apply for an order permitting the landlord
23 to do so. Further, section 83 says that the landlord
24 and the tenants shall file a capital cost revenue
25 statement and other required information. Does this



1 section not in effect give the tenants the rights
2 of ownership and management without financial risks
3 and long-term commitment? In some cases the level
4 of maintenance would depend on whether the majority
5 or tenants are extravagant or miserly.

6 Section 85. Application for a
7 conditional order. Again the tenant may join
8 with the landlord in an application and our comments
9 are the same as for section 83.

10 Section 93. Where a landlord makes
11 an application for an increase in rent the Minister
12 may refuse to recognize all or part of the capital
13 expenditures claimed by the landlord where, in the
14 opinion of the Minister, such expenditures become
15 necessary as a result of the landlord's ongoing
16 deliberate neglect in maintaining the residential
17 complex or any rental units therein.

18 Just how is the decision proposed
19 to be arrived at. Can the tenants insist that such
20 deliberate neglect exists or has existed? Again,
21 there is a serious possibility that the adversary
22 position will be maintained.

23 Mr. Chairman, that concludes my
24 presentation.

25 MR. HENNESSY: Thank you very much, sir.



1 Are there any questions, from the Committee?

2 MR. SHYMKO: With regards to the
3 equity provision, the equalization of the rents,
4 you refer to buildings where the entire building
5 consists of rental units.

6 MR. DESLAURIERS: Yes.

7 MR. SHYMKO: I just wondered what
8 suggestion you would have for buildings as we know
9 they presently exist which are defined as residential
10 condominiums where a number of the condo unit owners
11 rent out their units? They do not use them as
12 principle residences, they are rental units. In fact,
13 you may see on the same floor, for example, half of
14 the units as being owner-occupied and the other units
15 as being rented out, where you would have the same
16 apartment basically, varying from \$100 to \$500
17 difference. Do you have any views on the equalization
18 aspect, which is not perhaps capital related, in
19 resolving that problem, if indeed it is a problem?

20 MR. DESLAURIERS: Sir, I am afraid that
21 I really can't answer that. I don't have any such
22 building and I have no experience with that kind of
23 operation. I did not consider this item.

24 MR. SHYMKO: Should there be some
25 reference in Bill 51 to such an anomaly, or



1 circumstance where the buildings are not rental per
2 se, but are private property where the majority or
3 proportion of them are rented? I do not know,
4 perhaps my question should be more addressed to
5 the experts from the Ministry, whether or not this
6 applies.

7 MR. PETERS: Well, if I understood
8 your question correctly, that single condominium
9 unit leased out by the owner would be subject to the
10 Act. Since they are owned by individuals there is
11 no question of equalization since in fact they are
12 separate owners.

13 MR. SHYMKO: So it would not be
14 applicable. Thank you very much.

15 MR. HENNESSY: Any other questions?
16 Thank you very much, Mr. Deslauriers.

17 Dr. Terry Swaine? Kingston
18 District Chamber of Commerce?

19 MR. JUDGE: No, sir.

20 MR. HENNESSY: Kingston Frontenac
21 Home Builders' Association? Go ahead, sir.

22 MR. JUDGE: The Kingston Frontenanc
23 Home Builders' Association represents over 120
24 members consisting of organizations involved in
25 residential construction, including land developers,



1 trade contractos, manufacturers, mortgage lenders,
2 lawyes, renovators, landlords and others.

3 The majority of individuals or companies involved
4 with the construction of new rental accommodation
5 in Kingston belong to our association.

6 This brief will not confront the
7 technical and specific issues of Bill 51, but will
8 instead attempt to give the committee a general idea
9 of the concerns of our members.

10 The Kingston Frontenac Home Builders'
11 Association has in the past and will continue to
12 pose rent regulation in Ontario. Our industry has
13 experienced an 11-year trend in increased government
14 regulation of an increasingly restrictive nature
15 resulting in a situation contrary to encouraging
16 long-term growth of new rental accommodation by
17 builders in this province.

18 In our opinion Bill 51 is simply
19 a continuation of these regulations.

20 We are concerned that the proposed
21 Bill tends to discourage new construction by
22 subjecting newly created units to provincial rent
23 regulations. We believe it is because of rent
24 regulation that we have such a severe shortage of
25 rental accommodation at this time.



1 Since rent regulations were introduced
2 11 years ago we have seen the attractiveness of owner-
3 ship and management of apartments dwindle due to a
4 lack of a reasonable rate of return on investment.
5 The Kingston Frontenac Home Builders' Association
6 is not convinced that the provisions of Bill 51
7 create circumstances in which a reasonable rate of
8 return is assured to investors of newly constructed
9 rental accommodation.

10 Bill 51 provides for the rent of
11 new units to be restricted to guideline increases
12 or such higher amounts as can be justified according
13 to certain criteria. It would appear to us that the
14 rate of return on new construction is anything but
15 assured. Our perception is that the guideline
16 increase, the limited pre-determination of return
17 on investment, and the supposed beneficial criteria,
18 can be reduced very easily and possibly retroactively
19 if so desired.

20 It is difficult for our builders to
21 be enthusiastic about increasing production of new
22 rental units when one considers the full impact of
23 Bill 51. This proposed legislation calls for
24 retroactive changes which increase rather than
25 decrease restrictions. In particular, the retroactive



1 elimination of the \$750 rental exemption and the
2 retroactive reduction of the guideline increase from
3 6 per cent to 4 per cent.

4 Bill 51 is a movement from a temporary
5 system, the Residential Premises Rent Review Act, to a
6 permanent system of rent regulation in Ontario.
7 Furthermore, Bill 51 provides for further retroactive
8 restrictions by way of the retroactive extension of
9 rent regulation to all rental units in the province.

10 The perception of Bill 51 by the
11 Kingston Frontenac Home Builders' Association is
12 that the proposed legislation does not create a
13 healthy economic environment to promote the increased
14 levels of construction required to alleviate the
15 shortage of rental units.

16 We hear time and time again that
17 rent regulations are necessary for the affordability
18 of shelter, but according to the THOM Commission
19 only 15 per cent of the rentors are needy.

20 Our association does believe that
21 there is an affordability problem with a portion of
22 our community. In our opinion assistance should be given
23 to the segment of the population that truly need it.

24 In Kingston, almost every unit
25 built in the past few years has been constructed with



1 some form of government assistance at the taxpayers'
2 expense. Unsubsidized rental construction in Kingston
3 is at a virtual standstill. We believe that Bill
4 51 will perpetuate the need for government sub-
5 sidization as an incentive for our industry to create
6 new units in Kingston.

7 The Kingston Frontenac Home
8 Builders' Association fundamentally opposes the use
9 of tax funding and rent regulations to subsidize
10 the rents of people who can afford market rents.
11 In this regard we endorse the principle put forward
12 by the Fair Rental Policy Organization of Ontario,
13 namely, that os subsidize the person, not the unit.

14 We are also concerned with the
15 negative impact that rent regulations have had on
16 our local first-time homebuyer market. In Kingston,
17 we are very fortunate to have an affordable level of
18 new housing for first-time buyers. But we have seen
19 a trend whereby tenants who can afford a new home
20 have made the decision to take advantage of below
21 market rents in regulated rental units.

22 Traditionally these tenants would
23 have moved into homeownership, thus creating a rental
24 vacancy for somewhere else and helping to boost the
25 home building industry which is so important to our



1 local economy. In our opinion Bill 51 may have
2 the effect of shrinking this homebuyers' market
3 even further as the extension of rent regulation
4 makes rental living far more enticing than ownership.

5 We do not want to appear totally
6 negative in our response to Bill 51. However, our
7 main concern is that Bill 51, in its present form,
8 is not the vehicle to create the climate necessary
9 to encourage long-term significant capital investment
10 in new rental accommodation so badly needed in
11 Kingston.

12 In conclusion, the Kingston Frontenac
13 Home Builders' Association believes that the proposed
14 legislation, and these hearings in particular, are
15 a logical and positive step in bringing about a better
16 understanding between builder, landlord, tenants
17 and government.

18 Thank you very much.

19 THE CHAIRMAN: Thank you, Mr. Judge.
20 Mr. Reville has a question.

21 MR. REVILLE: Thank you for your
22 brief, sir. You have left me a bit confused because
23 you say in your last paragraph that it is a logical
24 and positive step but the rest of your brief seems
25 to indicate that you do not like it very much.



1 MR. JUDGE: I think the hearings
2 in particular are a logical step. I believe that
3 Bill 51, with changes, is a positive step in the
4 right direction.

5 I suppose the underlying thing in
6 this brief is that we basically are opposed to
7 universal rent regulations. In other words, give it
8 to the people who truly need it, but to the people
9 who can afford market rents, we do not feel there
10 is a need for rent regulations.

11 MR. REVILLE: Well, that is a line
12 we hear from the Fair Rental Policy Organization, but
13 that same organization, and I assume you are a member
14 of it, also says we should swallow Bill 51 whole and
15 not sort of digest it very much. We should just pass
16 it through.

17 MR. JUDGE: Our feeling locally in
18 the Kingston Frontenac Home Builders' Association
19 may not necessarily agree with that of the Fair
20 Rental Policy Organization. Our feeling is that Bill
21 51 does need revamping before it is passed into
22 legislation.

23 MR. REVILLE: Thank you, Mr. Chairman.

24 MR. HENNESSY: Just a supplementary,
25 sir. Just listening to you I have to agree with my



1 colleague to some extent. You seem to be for it and
2 against it at the same time. It is nice if you can
3 do it, but you don't have to be a politician to do
4 that.

5 Nevertheless, you feel this helps
6 the tenant or is it against the tenant?

7 MR. JUDGE: I feel that Bill 51 could
8 help tenants who truly need the help. Our concern
9 is that Bill 51 is a universal application of rent
10 controls -- or rent regulations rather. In that people
11 who do not require assistance will benefit from it
12 at the taxpayers' expense. That is a very real
13 concern locally of our association.

14 MR. HENNESSY: How can you judge
15 what tenant needs it and what tenant does not. Who
16 needs it?

17 MR. JUDGE: I think that, for example,
18 if you take a look at the old Ontario Housing
19 Corporation guidelines under the HOME program and
20 I think if you take a look at the CMHC policy which
21 has been in effect for many years with regards to
22 who can afford homeownership, for example, there
23 are policies in place for homeownerships which can
24 be applied to rental accommodation also.

25 MR. HENNESSY: Do you recommend a



1 means test?

2 MR. JUDGE: Yes.

3 MR. HENNESY: Thank you.

4 MR. CORDIANO: You stated that you
5 would like to see the Bill revamped, changes
6 made? What we have heard from the RRAC Committee
7 is that obviously there has been a compromise
8 between tenants and landlords. What changes would
9 you recommend, and I followed your brief obviously
10 and I hear what you are saying, but such that that
11 delicate compromise would not be jeopardized in any
12 way?

13 MR. JUDGE: To be perfectly honest
14 with you I would suggest that the feeling of our
15 association is basically sort of guidelines to direct
16 any monetary assistance to people who again truly need
17 it; we have to lay down some guidelines as to what
18 categorizes a needy person in regard to rental
19 accommodation. In this province versus, for example,
20 someone making \$50,000 per year and still living in
21 a rent regulated building, taking advantage of the
22 subsidies designed for a family making, for example,
23 take a figure out of the air, \$12,000. That is our
24 concern. There certainly seems to be some inequities
25 in the policy.



1 MR. CORDIANO: I do not have any
2 figures on, for example, average income in the
3 Kingston area at my disposal and I do not have a
4 figure for average rental charges in the Kingston
5 area as well. I may have it but I havenot looked at
6 it yet. In any case, the point here is if you are
7 subsidizing people as opposed to units, and it is
8 non-universal as it is now, obviously you have to
9 identify those people that are in need.

10 MR. JUDGE: Absolutely.

11 MR. CORDIANO: And then you would
12 have to make a determination of exactly who is in
13 need and at what level would we determine those
14 people are in need.

15 MR. JUDGE: That is correct.

16 MR. CORDIANO: I would think that
17 the figure I see in your brief here, recommended
18 by the THOM Commission, 15 per cent, I think that
19 is probably a little inaccurate given some of the
20 witnesses that we have heard from. It is suggesting
21 that people should not be paying more than 25 per
22 cent or more than 30 per cent of their gross income.
23 In fact, we have heard from tenant groups who
24 suggest that that is not the case. The people who
25 are making \$30,000 or \$35,000 a year in the Toronto



1 area, to use that as an example because we had
2 most of our hearings in the past in that area, we
3 have heard that certainly someone making that amount
4 of money in the Toronto area would not be able to
5 afford paying rent that was more than 30 per cent of
6 their gross income.

7 MR. JUDGE: That may be true for
8 Toronto, but it may not necessarily apply to the
9 Kingston area. I suppose that is something that is
10 bothering us. That probably is a very true statement
11 for some of the very large metropolitan areas such
12 as Toronto. Related to the Kingston market it
13 may not necessarily be true.

14 MR. CORDIANO: So that 30 per cent
15 figure is not true in Kingston?

16 MR. JUDGE: Put it this way: as a
17 home builder association basically what we are looking
18 at is a guideline very similar to what one of our
19 homeowners would have to go through. For example,
20 if they were applying to a mortgage institution. That
21 basically is somewhere between 25 per cent and 30
22 per cent.

23 My feeling on it is that over the
24 years, between the Ontario Housing Corporation and
25 CMHC, there have been many guidelines laid down for



1 gross debt service ratios and I would tend to think
2 that what is good for a homeowner should be good for
3 a tenant. If your gross debt service ratio could
4 not exceed 27 per cent, for example, if you applied
5 a mortgage on a homeownership, I would tend to think
6 something along that guideline should be applicable
7 to a tenant.

8 MR. REVILLE: Isn't that an argument
9 for keeping rent control?

10 MR. JUDGE: If you read our brief
11 very carefully, your question in regards to the last
12 paragraph is perhaps being confused. We are very
13 careful in our brief that we said that Bill 51 in
14 its present form would not encourage construction
15 of rental accommodation. That is our feeling without
16 major revamping of the Bill. We do not feel any of
17 our members will be encouraged to build at an
18 increased level.

19 I am not saying that the building
20 of rental accommodation in Kingston will decrease
21 necessarily if Bill 51 is passed in its present
22 form. The point we are trying to make is that we
23 need a great enticement for an increase of construc-
24 tion of rental units in the Kingston area. In its
25 present form the feeling of our members is such that



1 we do not feel that encouragement is there to build
2 the increased number of units that we so badly need in
3 the Kingston area.

4 MR. CORDIANO: I just wanted to ask
5 you one other question. What would be the cost
6 of apartment units, starting from scratch, in the
7 Kingston area, and how much rent would be required
8 to reach the term economic rent that we have heard?
9 We have heard figures of \$65,000 to build a unit
10 and I believe that relates to the Toronto area.
11 Approximately \$700 to \$800 a month for that unit.

12 MR. JUDGE: To be honest with
13 you, it is a difficult one to answer in that in
14 Kingston we are actually dealing with four
15 different municipalities, all with different
16 imposts, and land market values. The City of
17 Kingston being higher in land but no impost.

18 Off the top of my head, I would
19 tend to think the average unit right now would
20 average somewhere around \$40,000 to \$42,000. I
21 would anticipate rents somewhere around the \$525
22 to \$530 mark, somewhere in that neighbourhood, as
23 a market rent for a fairly modern level apartment.

24 MR. CORDIANO: So obviously the
25 average rent in the Kingston area would be below



1 that?

2 MR. JUDGE: I am sorry?

3 MR. CORDIANO: Would be below that?

4 The average rent -- I am just trying to come up with
5 an average rent.

6 MR. JUDGE: I am really not talking
7 as an expert here, unfortunately. The Kingston
8 Frontenac Home Builders' Association --

9 MR. CORDIANO: Perhaps it is unfair
10 of me to ask you that.

11 MR. SHYMKO: My impression is that
12 you see the home owners or the owner occupied
13 shelter as becoming a disadvantaged social class
14 in our society unless there is some incentive to
15 purchase your home for new homeowners especially.

16 The factor that you see, the reason
17 that people are not excited by homeownership, is bec-
18 ause of rent regulation. That is your fundamental
19 argument?

20 MR. JUDGE: That is certainly something
21 we have seen in the Kingston area over the past few
22 years. With rates being what they are, there is
23 absolutely no question about it. For example, a
24 monthly payment in Kingston to own a semi-detached
25 brand new home is as low as \$600 per month.



1 MR. SHYMKO: That is at the bottom.

2 MR. JUDGE: Yes, that is at the bottom.

3 But there is plenty of that type of new housing
4 available. We are seeing tenants remaining in
5 rent regulated units instead of moving into home
6 ownership at the rate they used to.

7 MR. SHYMKO: In other words, a
8 single family of two with a child would have to
9 at a minimum pay \$600 a month to carry the mortgage
10 interest and property taxes and other upkeep of their
11 home?

12 MR. JUDGE: That is true.

13 MR. SHYMKO: Relatively, by comparison,
14 the same family would pay how much in your estimation
15 here in Kingston to occupy or rent a shelter?

16 MR. JUDGE: For example, they could
17 rent the same property for around \$730.

18 MR. SHYMKO: So you are saying that
19 approximately \$100 to \$200 difference.

20 MR. JUDGE: That is correct.

21 MR. SHYMKO: And you state
22 categorically that it is the rent regulations that
23 create this inequity?

24 MR. JUDGE: That is our feeling, yes.

25 MR. SHYMKO: Would you not say there



1 are other factors involved as well? For example,
2 the property taxes paid by the owners versus the
3 rentor? He is hit 100 per cent by any municipal
4 property tax increase, which come in every year,
5 whereas the rentor at least is hit with a portion
6 of that since it is distributed by the big landlord
7 or small landlord at least to ---

8 MR. JUDGE: That is absolutely true.

9 MR. REVILLE: Oh, come on.

10 MR. SHYMKO: Do you believe in that?

11 MR. JUDGE: Yes. We have been polling
12 our members ---

13 MR. SHYMKO: Do you not see that
14 perhaps there are factors such as a mortgage interest
15 deductibility that should be introduced by the
16 federal or other jurisdictions that would entice
17 people to buy their homes and provide more equity
18 and not just criticize regulated rents as being
19 the cause for that?

20 MR. EPP: Mr. Chairman, don't you think
21 that the questioner is leading the witness?

22 MR. SHYMKO: I just wondered if
23 there are other factors other than rent controls.

24 MR. EPP: You are doing a wonderful
25 job of leading the witness.



1 THE CHAIRMAN: I think as well we
2 are straying from Bill 51.

3 MR. JUDGE: If I could just answer
4 about the mortgage interest ---

5 MR. EPP: If we want to talk Tory
6 philosophy we can do it in some other place.

7 MR. JUDGE: Our feeling on that is quite
8 honestly we wouldn't be for it. The less government
9 intervention in the home industry, the better off
10 we are.

11 MR. SHYMKO: Mr. Chairman, I just
12 want to make one point, and that is the fact that
13 this Bill is being considered as an obstacle to
14 individuals purchasing their own homes so it is a
15 very relevant point that I have raised with the
16 witness.

17 THE CHAIRMAN: Thank you, Mr. Shymko.

18 MR. REVILLE: I have a point of
19 outrage I would like to make.

20 MR. JACKSON: We did not hear from
21 you on the Broadbent comment.

22 MR. REVILLE: Mr. Chairman, there is
23 quite a bit of evidence that tenants pay more
24 proportionately in property taxes than homeowners,
25 and I would not want people to have Mr. Shymko's



1 impression left in their minds. In Metro it is about
2 40 per cent more the way our property tax system
3 works. Mr. Epp will bear that out.

4 MR. EPP: There is no doubt that
5 having large apartment buildings and so forth is
6 regarded as a business and there is no doubt that
7 there is a greater percentage of taxes on apartment
8 buildings than there is on single family homes. That
9 is a fact. We are not telling anybody anything new
10 here.

11 MR. JACKSON: I am not going to
12 let that pass either. There are spot levies, as
13 well as other factors, a difference in municipal
14 services between homeowners and apartment owners.
15 So, I would not get in to broad generalized
16 statements.

17 THE CHAIRMAN: Thank you, Mr. Judge.
18 You have obviously provoked some debate among
19 Committee members themselves, but that is the way
20 it should be in an all party committee. Thank you
21 very much.

22 MR. JUDGE: Thank you.

23 THE CHAIRMAN: Is Dr. Terry Swaine
24 here now? If you would come up to make your
25 presentation. You are President of the Chamber



1 of Commerce?

2 DR. SWAINE: No, I am Vice-president.

3 I represent the Kingston District Chamber of
4 Commerce. We were incorporated in 1841 and represent
5 over 800 small businesses in Kingston and district.

6 In preparing this brief I went through
7 a lot of material and basically what I found was the
8 1983 Ontario Chamber of Commerce submissions to the
9 Ontario Cabinet and I don't think I can do any better
10 than the Ontario Chamber did at the time. So basically
11 I would like to read some of it. I will not read
12 it all. And then make some comments on it.

13 First I would like to read the letter
14 dated September, 1983, from the President of the
15 Ontario Chamber of Commerce to Premier Davis. It
16 says:

17 "Dear Premier Davis:

18 You will recall that, at the Ontario
19 Chamber of Commerce presentation
20 to you last December, the subject of
21 Ontario's rent control program came
22 up for discussion. In our brief
23 to you we recommended phasing out
24 rent controls in order to ease the
25 rental housing shortage, pare down



1 the bureaucracy and ultimately
2 increase tax revenues. You and
3 your colleagues challenged us on
4 a number of issues. Over the past
5 six months, the Chamber has conducted
6 an extensive study on the subject
7 of rent controls and compiled a
8 report, a copy of which is attached.
9 Our findings have reaffirmed the
10 view that we have voiced since 1976
11 that Ontario's rent control program
12 is not in the long-term best interests
13 of our province.

14 One of the challenges that we placed
15 before our study team was to recommend
16 a plan to make a transition from the
17 current rent control situation to a
18 competitive rental market. We believe
19 that the recommendation that they made
20 is a sound one and deserves careful
21 consideration. As the study points
22 out, the proposal is not without
23 problems, the prime one being the
24 political question.

25 I believe that by properly positioning



1 the issue, and with the political will
2 to change for the benefit of the
3 province and its constituents, the
4 transition can be made successfully.
5 This report has been carefully
6 scrutinized by our Board and members
7 of our Economic Policy Committee.
8 The Chamber's position remains
9 clear and I strongly recommend you
10 and your colleagues give serious
11 consideration to moving towards a
12 free market system for rents, in view
13 of all the data and the many submissions
14 made to your government both directly
15 and indirectly.
16 We in the Chamber are fully prepared
17 to sit down and review the proposal
18 and its rationale with you and your
19 staff at your convenience.
20 Incidentally, it is not our intent to
21 make this document public at this time
22 but we plan to do so later in the fall,
23 following any discussion you may wish
24 to have."

25 Now, I will just read from a few selected spots.



1 The Ontario Chamber of Commerce's
2 position on Ontario's rent control program. Since
3 1976, the Ontario Chamber of Commerce has, consistently,
4 voiced its conviction that Ontario's rent control
5 program is not in the long-term best interests of
6 our province.

7 The most recent iteration of this
8 position was contained in our December 1982 presenta-
9 tion to the Premier and the Executive Council of
10 Ontario.

11 Specifically, we recommended phasing
12 out rent controls in order to ease the rental housing
13 shortage, pare down the bureaucracy and ultimately
14 increase tax revenues.

15 Our views on rent control were challenged
16 by the Premier. Subsequently we studied the subject
17 further, to ensure our recommendations, over the
18 past seven years had, indeed been justified.

19 Based on exhaustive analysis of the
20 published material and of the current situation, the
21 Ontario Chamber of Commerce strongly reaffirms its
22 view, the private sector, unfettered by rent
23 regulation, is in the best position to provide a
24 wide-range of rental accommodation for Ontario in
25 this period, this position was unanimously supported



1 by our membership in a policy recommendation at the
2 1983 Annual Convention of the Ontario Chamber of
3 Commerce.

4 Perhaps, more importantly, our studies
5 have led us to conclude that the continuation of
6 rent controls, in their present form, will serve
7 only to heighten the existing crisis in the rental
8 housing industry. The private sector will not
9 build rental accommodation without subsidization if
10 cash flows and profits are restrained, and the
11 sell-off of rental property by what many consider to
12 be Ontario's best landlord will continue despite
13 increasing regulation to prevent such action.

14 In their 1982 report:

15 "The impact of rent review on
16 rental housing in Ontario..."

17 the Ministry of Municipal Affairs and Housing found
18 that Ontario's system of rent control fails to satis-
19 factorily assist those who really need rental
20 subsidization and conversely provides benefits to
21 many who are in a position to pay market rents.

22 This is done at the expense of land-
23 lords, taxpayers, and a healthy rental industry.
24 The Ontario Chamber of Commerce recognizes that a
25 return to a competitive rental market should be



1 accompanied by a system of rent assistance for those
2 in real need, such as that provided in British
3 Columbia and Manitoba, and funded from general
4 tax revenues.

5 The Ontario Chamber of Commerce
6 recognizes that its position on rent controls over
7 the past seven years, in the political sense, have
8 been difficult; nevertheless, the problem was created
9 politically and must be solved politically.
10 Ontario's rent control program fails to target its
11 benefits, it is unduly expensive to landlords and
12 taxpayers and is damaging a once healthy industry.

13 A return to a competitive market
14 will once again encourage private enterprise to
15 continue to manage and maintain existing rental
16 properties and build new accommodation for Ontarians.

17 The rationale for the Ontario
18 Chamber of Commerce proposal. The benefits of the
19 program are rendered, in particular, to tenants in
20 control departments who are paying less than market
21 rents even though most could well afford them.

22 According to a recent Ontario
23 government survey, more than 82 per cent of those
24 surveyed paid less than 30 per cent of their total
25 household income in rent. The existing rent control



1 program fails to target its benefits to those in
2 need. In providing a universal benefit, rent controls
3 failed to provide an adequate benefit to households
4 in most need.

5 In today's difficult social and
6 economic times, rent controls failure to adequately
7 assist low income tenants should be questioned and
8 a more efficient program adopted in its place.

9 The costs of rent controls, in the
10 Ontario Chamber's opinion, far outweigh the benefits.

11 Rent controls have contributed to
12 the serious decline in rental construction during the
13 past decade and to the decision of many of Ontario's
14 respected landlords to divest themselves of their
15 residential rental properties. Ontario's rent controls
16 have effectively limited landlord's cash flows to
17 such an extent that the capital asset value of
18 rental property has declined in real terms since
19 1975.

20 Combined with the 1972 restructuring
21 of the tax system, restrictive zoning laws and
22 soaring construction and land costs, the development
23 of rental properties proceeds, in most situations,
24 only with heavy government subsidization. The
25 continuation of rent controls spells increasing



1 government or taxpayer involvement not only in a
2 stimulation or funding of rental construction, but
3 also in the complexities of rent review as the new
4 owners of controlled properties seek rent increases
5 for their property.

6 The decline in rental construction
7 is contributed to the loss of construction jobs
8 across the province but since it is estimated that
9 approximately 2.2 man years of employment are created
10 for every rental unit constructed.

11 Furthermore, the decline in rental
12 construction has contributed to low vacancy rates
13 in most municipalities. Vacancy rates are expected
14 to temporarily improve across Ontario this year, but
15 not because rental construction has increased. Rather,
16 federal and provincial funding inducements, in the
17 form of housing grants, have been made available to
18 selected home buyers over the past year, encouraging
19 many to leave their rental accommodation and
20 purchase homes. However, if rent controls continue
21 in their present form, vacancy rates will again
22 decline within a few years. Ontario's rent control
23 system discourages repairs and maintenance of
24 property, but until recently, very little evidence
25 existed to indicate that buildings were suffering.



1 In a recent study commissioned
2 by the Ontario Ministry of Municipal Affairs and
3 Housing and the Association of Municipalities
4 of Ontario, high rise buildings, which comprise
5 40 per cent of Ontario's rental stock, were examined
6 to determine the type of building repairs and improve-
7 ments that would be required to conserve the provinces
8 stock over the next 20 years.

9 One of the five broad causes listed
10 as a reason for building deterioration, was rent
11 controls. The consultants found that the existence
12 of the rent review process contributed to landlords
13 carrying out short-term, cosmetic repairs, rather
14 than preventative, conservation measures.

15 The consultants went on to suggest
16 that this patch-up approach would contribute to
17 major problems in the future which would be solved
18 by landlords only at a time when rent review was
19 eliminated or modified.

20 Ontario's rent control program
21 is extremely costly to landlords and taxpayers. The
22 Ministry of Housing has estimated the 1980 cost to
23 Ontario's landlords to be \$159 million and the cost
24 to taxpayers in the same year to be \$100 million.
25 And the tally is increasing. One of the most recent



1 costs to be added to the list is that of the Commission
2 of Inquiry into residential tenancies, which began
3 its work in early 1983 and is expected to be active
4 well into 1985.

5 Rent controls have been most
6 devastating to the many small landlords in the province
7 who invested in rental units for future retirement
8 income. These landlords see their investment losing
9 value because of declining cash flows, but they lack
10 the resources and wherewithall to bring their cases
11 to rent review.

12 The Ontario Chamber of Commerce's
13 proposal, which entails a gradual return to a
14 competitive rental market and targeted subsidization
15 of tenancy need, is such a program. Of course, this
16 program will not immediately reverse the trend in
17 rental construction and ownership divesture, but
18 further deterioration would be averted. In time,
19 the vacancy rate will once again become the barometer
20 of supply and demand on which construction decisions
21 would be made.

22 Rents on controlled units would rise
23 at a known acceptable rate and landlords' cash flows
24 would increase. As cash flows were improved, maint-
25 enance would be increased in line with a restored sense



1 of pride of ownership.

2 As well, improved cash flows would
3 generate increased tax revenue which, in turn, would
4 create a larger pool from which the rent allowance
5 could be funded.

6 As progress was made towards
7 restoring the market system in the rental industry, not
8 only would the backlog in rent review subside, but
9 one of the disincentives to building rental
10 construction would also diminish.

11 Only tenants in real need of assistance
12 would be eligible for rental allowances funded from
13 general tax revenues, an acceptable premise in our
14 social welfare system.

15 Eventually, private enterprise would
16 again view the residential rental market as being
17 health enough for investment, and it is private
18 enterprise that is in the best position to continue
19 to manage, maintain and renew Ontario's rental properties.
20 I will pass that on to you after.

21 Our local group met and just basically
22 we felt that that 1983 study presented by the
23 Ontario Chamber predicted quite accurately our
24 1986 dilemma.

25 In preparing this presentation, we



1 have researched the studies by the Fair Rental
2 Policy Organization of Ontario, the Ontario Chamber of
3 Commerce, the Frontenac Home Builders' Association,
4 the Fraser Institute and others. These reports
5 draw from international and national historical
6 studies of rent control which seems to indicate the
7 folly of such a policy.

8 I know that other groups will most
9 likely be presenting these statistics so I would prefer
10 to deal more with the philosophical issue of rent
11 control. We felt that you politicians should
12 genuinely ask yourselves if rent controls are really
13 working. Are rent controls really helping the needy?
14 If the answer is yes, why then 10 years later since
15 the incorporation of rent controls in Ontario do we
16 now need Bill 51 to assure housing for Ontario?

17 Perhaps the government should start
18 considering the reversal of its present policies.
19 Maybe slowly easing away from rent controls is a
20 better solution. Perhaps subsidizing the individual
21 and not the rental unit is a better answer. The
22 Kingston and District Chamber of Commerce believes
23 that the long-term benefits of these proposals would
24 far outweigh the short-term gains of Bill 51.

25 Philosophically, we wonder if you,



1 the politicians, have the courage to face the good
2 of the people over the good of your parties? Do
3 you have the courage to put the interests of the
4 outlying regions over those of Toronto. Do you
5 have the courage to put your faith in enterprise and
6 initiative as represented by the builders, realtors,
7 landlords, et cetera, of this province? Do you have
8 the courage to avoid the "vote" economy on this issue.

9 The business community deals in a
10 dollar economy, whereas the politician deals in a
11 vote economy. Our bottom line is profit, yours is
12 election. We do not view profit as a four-letter
13 word ; however, "loss" is.

14 The question that begs answering is
15 how do you, the politician, view profit? The
16 philosophical issue at play here is whether you
17 believe in free enterprise or not. We view rent
18 control and Bill 51 as a philosophical issue
19 affecting one of the basic premises of our society,
20 namely, freedom.

21 The industry people presenting
22 briefs to you here are good people, concerned with
23 their communities, and yes, their livelihood, hence
24 profits. They are not gougers or greedy speculators,
25 they are people who are damned good at what they do.



1 Look and listen carefully to them as they are
2 truly talented people. With more government regulation
3 and loss of freedom do you want to risk losing them,
4 are we going to create a super Ministry of Housing
5 totally control this issue and see it function like
6 the Post Office?

7 It is easy for those favouring rent
8 control to quickly tarnish those in the housing
9 industry by using words such as speculators, gouging,
10 uncaring, et cetera. As I have said previously, I
11 have read many reports in presenting this issue.
12 One item read was by a group named People for Free
13 Choice and Housing. Its brief points out the
14 connection between the leadership of the Federation
15 of Metro Tenants Associations and the Communist
16 Party of Canada. In the brief they state that the
17 goals of the FMTA and the Communist party are
18 identical, the destruction of the private sector
19 in housing and eventual state ownership.

20 They conclude that the so-called
21 tenant activists have intimidated the major
22 political parties who appear powerless to resist
23 their demands. Philosophically I find this worrisome,
24 and so does the Chamber of Commerce.

25 Finally, so that you are not left



1 with the tarnished impression that I represent a
2 right-wing think tank, I would like you to read
3 this editorial from the Tuesday, April 23, 1985
4 Globe & Mail. I would suggest that this represents
5 more the mainstream rather than any extremist point
6 of view. It is called the "Ten Year Error."

7 That is my presentation.

8 THE CHAIRMAN: Thank you, Dr. Swaine.
9 Before I ask my colleagues if they have any questions,
10 you will note that I say "colleagues" not "comrades."

11 MR. SHYMKO: What Ministry Housing
12 study were you referring to?

13 DR. SWAINE: I will give you this. It
14 is all in here.

15 MR. SHYMKO: Is that 1983?

16 DR. SWAINE: July, 1983.

17 MR. SHYMKO: That was a 1983 study?

18 DR. SWAINE: Yes.

19 MR. SHYMKO: All right.

20 MR. CORDIANO: You did not deal
21 very much with Bill 51.

22 DR. SWAINE: Sorry.

23 MR. CORDIANO: You did not raise
24 Bill 51 in your brief. Can we get some feeling
25 from you on Bill 51?



1 DR. SWAINE: Well, I think we have
2 pretty well made our feeling quite clear. We are
3 certainly not for rent controls, obviously. And I
4 think, as I said in the brief, the way we decided
5 to handle this was, I am letting the other groups
6 handle the specifics. I am not a builder or landlord.
7 I would rather they handle those specifics. What I
8 am trying to say, what my point is, philosophically,
9 is that we have to ask ourselves do we want to let
10 free enterprise do it or don't we? It is like
11 being a little bit pregnant. I don't think you can
12 be a little bit pregnant.

13 The thing I would again like to
14 stress, from studies I have read, if we are going
15 to subsidize things, let's subsidize the person,
16 let's subsidize that needy person rather than having
17 a shotgun approach to rent controls all across the
18 board.

19 I realize this is federal, but the
20 baby bonus, not everybody really needs the baby bonus.
21 We would question universality. The same thing with
22 old age pensions. I am sure Pierre Trudeau doesn't
23 need the old age pension. We should target those funds
24 to those people who truly need them.

25 MR. CORDIANO: So I guess I cannot



1 get you to deal with Bill 51 at all?

2 DR. SWAINE: The specifics of it,
3 because I don't know a lot about it.

4 MR. CORDIANO: I do not mean the
5 specifics. I am not certain you are familiar at
6 all with Bill 51.

7 DR. SWAINE: I am aware of the aspects
8 of Bill 51. Well, try me. What would you like?

9 MR. CORDIANO: I just want to get a
10 general impression from you on the Bill. Do you
11 think that the Bill goes some way to addressing
12 some of the problems that we did have under the old
13 legislation? Obviously that is what the Bill is
14 trying to do?

15 DR. SWAINE: Well, in the reading
16 of Mr. Curling's speech, and also the brochures I
17 gathered on assured housing for Ontario, it seems
18 to me that, again, he is talking about more taxpayers'
19 funds being given to builders. What it is creating is
20 a Catch-22. Exactly everything that 1983 paper by
21 the Chamber of Commerce was warning against. Here
22 we go, it is more and more and more and more
23 bureaucracy. Maybe it is trying to address some of
24 the issues. Maybe it is trying to clean things up.
25 But again it is just more bureaucracy on more bureaucracy



1 What we are trying to say is maybe
2 we should be going the other way. Maybe we should
3 be making things simpler.

4 MR. CORDIANO: Thank you.

5 THE CHAIRMAN: Any other questions?

6 MR. REVILLE: You have made your
7 case strongly for wanting the free market system to
8 prevail on the question of housing. Let us say
9 we are talking about an apartment unit that rents
10 for \$1,000 a month. The person who lives there can
11 afford to pay. He has an income of \$50,000 a year or
12 whatever it is. In the free market if the landlord
13 thought he could get the rent, then he could raise
14 the rent to \$2,000 the next year. Would you have a
15 problem with that?

16 DR. SWAINE: No, because if you look
17 at the long-term if that landlord is going to get
18 \$2,000, then other people are going to start looking
19 around and saying hey, let's invest some money in
20 more housing. The market is going to catch up.

21 MR. REVILLE: What about the person
22 who lives there? I live in a penthouse on Princess
23 and I am paying \$1,000 a month and you are my landlord
24 and you say okay, now it is \$2,000 and I cannot
25 afford \$2,000.



1 DR. SWAINE: I am going to start
2 looking around for somewhere else.

3 MR. REVILLE: But there is a guy
4 waiting there who can so he would rather rent it to
5 him, obviously. What about the disruption to my
6 life that you have caused by your free market approach?

7 DR. SWAINE: Do I owe you a living?
8 Let's take --

9 MR. REVILLE: No, you don't.

10 DR. SWAINE: I can relate better to
11 health care in that, let us say, I am covered by
12 OHIP. Now, do I not have a social responsibility
13 not to smoke and not to overeat? Okay. My whole
14 point here is I am saying I am not causing a disruption
15 to your lifestyle.

16 MR. REVILLE: No, I am buying a
17 commodity from you which is really a critical
18 commodity to my life, my housing. I am trying to
19 get you to say that in fact because of the commodity
20 is so important that you have to have some kind of
21 price regulation even when you are talking about
22 astronomical rents.

23 DR. SWAINE: I disagree with you
24 because again I think the market is going to, over
25 the term, settle things down. Those people who are



1 truly hurt, and that is what we have addressed
2 here, those who are needy, yes, those are the people
3 we should be helping.

4 Now, the question begs answering as
5 well. You can say it is going to cause you dis-
6 ruption in your life or whatever, well, who decides
7 that?

8 MR. REVILLE: There is no question
9 that having to move every year would cause you
10 considerable disruption, that is not a debatable
11 point.

12 DR. SWAINE: That is right, and no
13 landlord really wants his tenants to move every year
14 either. Once you get good tenants you want to keep
15 them. So that we are going ---

16 MR. REVILLE: So you do not see any
17 cause for controls of any kind in terms of housing?

18 DR. SWAINE: No, because I believe,
19 I firmly believe that over the long-term the market
20 will take care of the problem. But I am stressing
21 again those in need of our social benefits, our
22 social welfare program should be targeted to those
23 people who cannot afford proper housing.

24 THE CHAIRMAN: All right, Mr. Reville,
25 thank you.



1 DR. SWAINE: Sorry. The other point
2 that I mentioned here, too, and the gentlemen ahead
3 of me mentioned, is the problem with rent control
4 being such a blanket thing over the province of
5 Ontario.

6 Toronto's problems are a lot different
7 than Kingston's problems. What is good for Toronto
8 is not necessarily good for Kingston or Brockville,
9 et cetera. So those things should also be brought
10 in to play as well.

11 THE CHAIRMAN: Dr. Swaine, thank you.
12 It is a good thing, I think for politicians to have
13 to confront their own ideologies from time to time.
14 Thank you for coming.

15 DR. SWAINE: All right. I will
16 leave copies of this.

17 THE CHAIRMAN: Is Mr. McKnight here?

18 MR. MCKNIGHT: Mr. Chairman, I am
19 a small landlord managing 75 owner-built units.
20 My family has been in the rental property business
21 for 40 years. We have built 125 units in the ten
22 years before rent controls, and zero since.

23 From my perspective Bill 51 is a
24 step forward in rent control legislation that begins
25 to recognize the interest of both landlords and



1 tenants, although I am not certain whether homeowners
2 interests are adequately represented.

3 As a businessman seeks an optimum
4 return by recognizing that trade-offs are an inherent
5 part of doing business, so, too, must elected officials
6 recognize that compromises are necessary if fairness
7 is to be a criterion for new legislation.

8 Since Bill 51 represents a compromise
9 reached between landlords and tenants, I support
10 its acceptance as a first step to balancing the scales.
11 I am hopeful that efforts will continue to ensure
12 that other interested parties such as homeowners are
13 also included in future discussions and that the
14 real objections of rent controls are addressed.

15 I anticipate that Bill 51 in its
16 current form will streamline the rent review process.
17 I am currently awaiting a decision on an August 1, 1985
18 application. I also anticipate that Bill 51 will
19 allow pre-determinations for proposed capital
20 expenditures. I have found this important where
21 amortization periods for loan payments are often
22 shorter than the amortization period in an order,
23 and negative cash flows result. I anticipate that Bill
24 51 will provide an operating allowance based on
25 actual costs.



1 In addition, it will allow equaliza-
2 tion of rents which vary up to 24 per cent in some
3 buildings. It will allow joint applications where
4 capital improvements are unevenly distributed
5 throughout the buildings. This is an important issue
6 that in the past has caused great strife between
7 landlord and tenant and between tenants themselves.

8 I anticipate that Bill 51 will not,
9 however, provide affordable housing to those in need
10 but will continue to benefit middle class renters.
11 A review of my recent tenants indicates that three
12 out of seventeen pay in excess of 25 per cent of their
13 income for rent, but that four out of seventeen
14 pay less than 15 per cent, with an average of 21 per
15 cent. That is attached in Appendix 1.

16 It appears that all are subsidized
17 for the benefit of the few in need, but of those in
18 need, only a portion of the requirement is being met.
19 I strongly urge that a rent supplement program be
20 considered as an alternative to the universal rent
21 control subsidy.

22 I also anticipate that Bill 51 will
23 not reduce the administrative burden on small land-
24 lords, but will add to it with the rent registry and
25 the Residential Rental Standards Board. My main



1 objection is that there is no offsetting compensation
2 for the landlord incurring these extra responsibilities.

3 In conclusion, I urge the government
4 to establish an environment of confidence by accept-
5 ing Bill 51 as it stands and moving forward on the
6 question of a rent supplement program to reach those in
7 need. Only with confidence in the government and
8 a market-based rental economy will builders start
9 to build again.

10 Again, thank you.

11 THE CHAIRMAN: Thank you, Mr. McKnight.
12 Succinct and very much to the point. Are there
13 questions?

14 MR. REVELLE: You said that you have
15 built nothing since rent control?

16 MR. McKNIGHT: Yes.

17 MR. REVILLE: Where have you been
18 putting your venture capital? You do not have to
19 tell us but I am curious?

20 MR. McKNIGHT: Well, I have been
21 putting it in commercial property. Right now I am
22 involved in a condominium project.

23 MR. REVILLE: That is what we have
24 heard from a lot of people who formerly built
25 rental residential. They are investing in condominiums



1 and commercial.

2 MR. McKNIGHT: One question I have
3 is what consideration has been given to using the
4 tax system to revive rental construction? Right now
5 there is a very low write-off allowed on buildings.
6 It is 5 per cent. Half of that in the first year.

7 Using the tax system in this way you are not losing
8 taxes, you are deferring taxes, but it seems it is
9 one way to get money into rental construction and
10 not in houseboat construction which seems to be
11 popular in this area.

12 MR. REVILLE: You will have to talk
13 to our federal brothers and sisters about that one.

14 MR. McKNIGHT: I believe Ontario
15 has separate authority to tax as they see fit.

16 MR. REVILLE: What a good idea.

17 MR. CORDIANO: Would you allow me
18 a supplementary?

19 MR. REVILLE: No. The Chairman might,
20 but I won't.

21 THE CHAIRMAN: Mr. Cordiano.

22 MR. CORDIANO: With regard to that,
23 are you talking about a depreciation allowance?

24 MR. McKNIGHT: Capital cost allowance.

25 MR. CORDIANO: Acceleration of that



1 capital cost allowance?

2 MR. MCKNIGHT: I don't know. Perhaps
3 you don't have the authority but it is one method I
4 think of getting more money into rental construction.

5 MR. BERNIER: If I heard you correctly,
6 you pointed out that you could not build over the last
7 ten years because of Bill 78, yet you support this
8 complicated Bill we have before us now and that will
9 answer your ---

10 MR. MCKNIGHT: Well, I see it as a
11 first step. I think I agree with -- probably the
12 Committee feels and others have felt that rent
13 controls aren't going to end over night and you have
14 got to gradually move them out. As a landlord,
15 5.2 per cent is better than 4 per cent.

16 MR. BERNIER: Are you not concerned
17 about the complexity of this Bill and how it will
18 operate?

19 MR. MCKNIGHT: Well, I am concerned
20 and I believe I addressed that in the administrative
21 burden. I don't have a big staff. I found I spent
22 a disproportionate amount of time trying to operate
23 under the existing system and I don't think it will
24 be any easier under this.

25 MR. BERNIER: Do you belong to the



1 local Chamber of Commerce?

2 MR. McKNIGHT: No, I don't. I
3 belong to the local Rental Property Owners' Association.

4 THE CHAIRMAN: Are they members
5 of the Fair Rental Policy Organization as well?

6 MR. McKNIGHT: Who is that?

7 THE CHAIRMAN: Your umbrella organiza-
8 tion?

9 MR. McKNIGHT: I believe landlords
10 are only members on an individual basis. That's what
11 I understand.

12 MR. JACKSON: The deputant has again
13 raised something which has surfaced on several
14 occasions about the administrative burden and I think
15 it has been raised four times now. We have had a
16 really good sampling of small independent landlords.
17 My understanding is that the RCCI formula, and that
18 is what I am really addressing my question to, is
19 that costs associated with the landlords preparing
20 him or herself for a presentation to, an application
21 for and presentation before the Commission for an
22 increase, that those costs are not accounted for.
23 Was there any discussion with the RRAC Committee
24 or is there any formula by which small independent
25 landlords can have those additional costs covered, which



1 really sets them apart from those corporations which
2 have access to that kind of expertise and advice? I
3 am not saying it is necessarily expensive, I am
4 saying that they have to have access to it.

5 MR. PETERS: I think there is two
6 elements that should be addressed. The first is that
7 there is no specific extra provision in the BOCI
8 formula for costs associated with the presentation
9 of applications to rent review.

10 I think, though, having said that,
11 it should be pointed out that the whole process of
12 administrative review is an attempt to answer that
13 question in another way, in that the Act process
14 should be much more streamlined. Although the Act
15 is perceived to be a complex concept, the process,
16 in my judgment, should not be interpreted to be
17 complex. It is precise in the terms of the applica-
18 tion. You can choose to make a specific application
19 on a specific issue. That then limits, if you will,
20 the basis for the application.

21 Over and above that, as we stated
22 previously, the key feature of the Bill is the
23 comprehensive educational campaign that we would
24 undertake, particularly with the small landlords.
25 Because you are quite right in pointing out that there



1 has been a consistent concern expressed about the
2 complexity involved. We have to make sure that
3 they are aware of what they are entitled to under
4 the Act and, as I said previously, it is our intent
5 to work with landlord groups and associations and
6 clearly explain the Act to make sure that it does
7 not become a complex administrative issue for any
8 landlord, particularly small ones who file an
9 application.

10 MR. JACKSON: So it is possible
11 for a landlord not to get all of the increases they
12 are entitled to if they do not prepare themselves
13 with adequate accounting and possibly legal advice,
14 therefore they are going to come to the government
15 to ensure that they are apprised of all the dollars
16 that they can get for their -- is that what we are
17 saying?

18 MR. PETERS: No. We are simply
19 saying that in some cases, landlords whether large
20 or small, have chosen to engage rent review consultants.
21 The cost of that consultant is recognized at the
22 time of the rent review hearing. We are optimistic
23 that under the current Act, or the Act as proposed,
24 Bill 51, many of those cases will not require the
25 attention of a consultant.



1 MR. JACKSON: Let me stop you there.
2 I understand that. However, I think in my preamble
3 to my question, I indicated a case where a landlord
4 could go in to an application under the new Bill and
5 not get his full entitlement in the absence of that
6 kind of counsel.

7 MR. CORDIANO: Well, could that have
8 happened under the old Bill?

9 MR. JACKSON: We have already
10 discussed that.

11 MR. CORDIANO: We have not discussed
12 that at all.

13 MR. JACKSON: What I am asking is,
14 in the absence of that counsel, you are saying that
15 it is no longer necessary that the government is
16 going to tell the landlords how to do it. I am
17 saying, is the system that foolproof that an applica-
18 tion automatically occurs where the landlord can
19 sit back and the government will assist him to under-
20 stand the figures or does he still have to rely --
21 all I am -- what I am getting at here is that these
22 people are saying in all honesty that they are
23 having difficulty understanding the complexity of
24 the formula and that in some way they may not be
25 able to get all the entitlements that they are



1 eligible for.

2 What you are telling me is,
3 don't worry about that because we are going to go
4 on this incentive advertising campaign and we are
5 going to have hands-on work with these landlords.

6 Again, I ask you the question. Is
7 it possible for a landlord to not apply for all of
8 his entitlement in the absence of proper accounting
9 and/or legal assistance?

10 MR. PETERS: Well, it is a difficult
11 question to answer in the sense that the point I was
12 trying to make was that if a landlord comes forward
13 and makes an application under the Act as proposed,
14 the first thing that the rent review administrator
15 will have to deal with is on what basis the applica-
16 tion is made, is the information complete, and on
17 that basis, assume the information was complete, we
18 would process the application.

19 MR. JACKSON: Let me stop you there.
20 Would you then tell the person, look, you really did
21 not fill all this in properly. Here is what you
22 should be filling in.

23 MR. PETERS: If it related to the
24 specific application brought forward we would assist
25 in the completion of the application. If he applied



1 under a certain section of the Act we would say to
2 him you need X, Y and Z to allow us to proceed
3 with the application and we would assist him.

4 MR. JACKSON: Now, that is where the
5 landlord indicates that they are asking for an
6 increase above the 4 per cent and therefore they
7 filled in column A, B, C or whatever this new form
8 is going to look like.

9 But will the government be saying,
10 well, have you considered filling in B, C and D, because
11 you have only filled in A, or are they just going
12 to say, based on what we have in front of us, there
13 is one point missing.

14 MR. PETERS: I would think the
15 latter.

16 MR. JACKSON: So it will not be
17 proactive to that extent?

18 MR. PETERS: Not in the sense that
19 the rent review administrator -- our role, I think
20 I have used this phrase previously, would be that
21 of the honest broker. A person comes forward with
22 an application and we will assist him in filling
23 out the application if necessary, whether it be a
24 landlord or tenant.

25 MR. JACKSON: Now that you have given



1 that clarification I will go back and ask you this
2 question again. Is it possible, under Bill 51, for
3 a landlord in the absence of proper accounting or
4 possibly legal counsel to come before your office and
5 not obtain the increases that he may be entitled to?
6 You can add to that by virtue of having an incomplete
7 form, on which you have advised me you are not there
8 to say "You have left something out". They are
9 only going to respond on the basis of it being in-
10 accurate or incomplete.

11 MR. PETERS: I think it would be
12 possible but the Act I think is an improvement
13 over the current situation.

14 MR. JACKSON: I didn't ask you that.
15 I asked you ---

16 MR. CORDIANO: Let me ask him.

17 MR. JACKSON: The landlord is here
18 today, they could care less what happened five years
19 ago. What they want to know is how much the government
20 is going to help them now under this Bill.

21 THE CHAIRMAN: Mr. Jackson, be
22 careful with your question because the Minister is
23 not here to answer policy questions and I think you
24 have to be fair to Mr. Peters.

25 MR. JACKSON: I will do that,



1 Mr. Chairman, but by the same token Mr. Peters is
2 responsible for implementing this program and I am
3 simply asking him what he envisions in terms of the
4 work that your civil servants will provide.

5 I am trying to establish a thesis
6 that perhaps we should be accounting for some of the
7 additional costs associated with obtaining the
8 necessary or legal or accounting or counselling
9 services which small independent landlords require
10 that the larger ones seem to have available. That
11 is the whole basis of my line of questioning as to
12 how much they are going -- as to how much help they
13 are going to get when they walk into the local
14 Kingston office of the Ministry of Housing.

15 MR. PETERS: Perhaps I can answer
16 the question more directly. I do not think it
17 appropriate that the rent review administrator
18 function as a rent review consultant, either for
19 a landlord or tenant. His job, as I mentioned
20 earlier, is to be the honest broker. If a landlord,
21 or tenant, for that matter, said two months later
22 that he forgot a key element of his proposal,
23 then they may in fact -- it is possible, therefore,
24 not to have generated the maximum possible rent
25 increase had they selected to make the application



1 on two grounds as opposed to one. We would not be in
2 a position, I would suggest to you -- we would take
3 it at face value.

4 If the landlord says he wants to make
5 an application for capital improvements, fine, we will
6 assist him in completion of that.

7 MR. JACKSON: Mr. Chairman, now that
8 we have got that, and I thank you for that very
9 clear response, we will now go back to Mr. McKnight.

10 Having heard all that it is reasonable
11 then, in your mind, that the costs that may be
12 associated with your being able to make a full and
13 proper presentation before the Commission with those
14 expenses that should be considered in terms of your
15 final computation?

16 MR. MCKNIGHT: Well, from my
17 experience -- I don't know how it is going to be
18 handled in the future, but my experience has been
19 that omissions and errors on my part are not subject
20 to appeal by myself. I am only entitled to appeal
21 based on administrative or Ministry error.

22 I also find the guidelines, which
23 seem to be a couple of hundred pages, constantly
24 being interpreted and a provision which says there
25 may be something there that I may be entitled to two



1 months ago when I prepared the application, it
2 wasn't generally acknowledged that that was available
3 but there has been enough precedent in the meantime,
4 I wouldn't be entitled to an appeal under the
5 current system.

6 So I have gone through three hearings
7 on a couple of buildings, on the same building over
8 the last three years and have found each time I
9 go, I learn something, that I am entitled to be paid
10 for my time in doing capital improvements.

11 The first hearing I went to that
12 wasn't even considered, all my time was just written
13 off. I don't believe I was entitled to a subsequent
14 hearing on the same building to recover past
15 improvements.

16 MR. JACKSON: Thank you.

17 MR. CORDIANO: Mr. McKnight, I want
18 to make an allusion to the previous line of
19 questioning, where in effect what Bill 51 attempts
20 to do is streamline the process. I think we have
21 heard that it is the process that will be facilitated
22 and perhaps the Bill is complicated but it is the
23 intention of the Bill to make the process more
24 efficient and probably less time consuming and
25 less costly in the end.



1 Given the fact that you have gone
2 to rent review in the past and what you understand
3 from Bill 51, I think it is safe for me to assume
4 you would believe that the process, the effort at
5 least is being made to streamline that process and
6 there is consideration for the fact that it is
7 a difficult process at the present time and an
8 adversarial approach that was used.

9 Do you think that's going to be changed
10 with Bill 51?

11 MR. McKNIGHT: I think time will tell.
12 I don't really know.

13 MR. CORDIANO: Given what you see
14 in the Bill and from what you understand?

15 MR. McKNIGHT: From what I under-
16 stand, yes, it will be less formal and it wouldn't
17 be, bang, you go in one day, present the facts
18 and if you have made a slight error, you really need
19 some sort of preconsultation process just to make
20 sure that you haven't done something.

21 MR. CORDIANO: So do you feel
22 confident that you will be able to go through the
23 administrative review without the need for expensive
24 consultants, let's say?

25 MR. McKNIGHT: I doubt it, given the



1 current Bill is 56 pages. I have had to use
2 consultants in the past. Now they are studying it
3 full-time. I can't study the process, if you will,
4 the ---

5 MR. CORDIANO: So you do not think
6 the Ministry would be able to help you out and
7 approach this without the advice of consultants?

8 MR. McKNIGHT: Well, it may be a
9 better process but I, as a prudent businessman,
10 will continue to use consultants.

11 MR. CORDIANO: How many units did
12 you say you have?

13 MR. McKNIGHT: Ninety-five.

14 MR. CORDIANO: So you are on this
15 full-time, it is a full-time management position?

16 MR. McKNIGHT: No, it occupies about
17 10 per cent of my time.

18 MR. CORDIANO: Ten per cent, all
19 right. Thank you.

20 THE CHAIRMAN: Mr. McKnight, thank
21 you very much for your presentation.

22 MR. McKNIGHT: Thank you.

23 THE CHAIRMAN: Mr. Kevin Danylchuk?

24 MR. DANYLCHUK: Members of the
25 Committee, my point is very brief and I will basically



1 go through the note you have just been handed. I
2 apologize for it not being typed, my typewriter is
3 on the fritz.

4 I should first state I am a tenant
5 in Kingston, renting here while I am attending at
6 Queen's University.

7 Point No. 1. As you all know,
8 existing legislation protects landlords from
9 limiting rent increases of 4 per cent provided the
10 apartment became a rental unit after some date in
11 1975, I think it is January 1, 1975. Meaning that
12 if any tenant were to move into an apartment that
13 became an apartment, say, in 1979 or 1980, or any
14 time after 1975, the landlord could raise the rent
15 effectively more than 4 per cent.

16 Now, the proposed legislation in
17 Bill 51 would update this clause. I believe the
18 proposed law says that landlords must limit rent
19 increases to the legal maximum provided the apartment
20 was a rental unit on August 1, 1985. So any apartment
21 that came into being between 1975 and 1985 would
22 then be covered by rent review.

23 Now, the tone of my argument, as
24 you can see, is just to basically push this clause,
25 this part of the clause, of the new Bill into law



1 because I consider the mid-seventies date as
2 arbitrary and archiac. It seems to me so obvious,
3 the premise to want to update this. I believe the
4 only reason 1975 was selected as the original date
5 was that when the law came into being back then you
6 had to pick some time and they just made it shortly
7 before that law came into being.

8 In my personal case, I don't know
9 if you are interested, but my landlord was able to
10 raise the rent 10 per cent on August 1, 1985, when
11 the legal maximum was 4, despite the fact that my
12 apartment was in fact a rental unit prior to 1975.
13 The reason she could do not was, digging through the
14 law as it stands now, she found a loophole saying
15 that my apartment is situated over a store and the
16 law exempted landlords from that rental increase
17 provided the manager of the store lived on top, like
18 in the apartment over the store, and that both units,
19 both rental units, both the commercial property and
20 the rental property were covered under one lease.
21 So because that was my set-up, my landlord escaped
22 the 4 per cent increase.

23 My last appeal is to do establish
24 the rent registry that is proposed, only from the
25 basic premise of it being a protection for the tenants.



1 I am not sure how much you have heard of this today,
2 but it is a case of landlords pretty much gouging
3 the tenants because -- there is misinformation
4 on old tenants: leaving and new tenants coming in
5 and they don't sometimes know what the previous
6 rent was.

7 But in my case the original rent
8 was \$600, the next year when my 10 per cent increase
9 went into effect, it was \$660, and the next year --
10 I have since moved out of the apartment and new
11 people have come in and my landlord is or tried
12 to get away with an \$840 rent. I don't think that
13 is right. That is quite a substantial increase,
14 more than 20 per cent, I believe.

15 So, in conclusion, I am pressing
16 mostly for the proposed legislation that would update
17 that clause stating that landlords must oblige
18 by the rent increase in an apartment that became
19 an apartment after -- or, sorry, before 1985.
20 Make that after 1985, sorry, and that's it.

21 THE CHAIRMAN: Mr. Danylchuk, the
22 Committee does want to hear from individuals who
23 have personal case histories involving rent control
24 problems so we do appreciate your coming here.

25 MR. CORDIANO: I would like some



1 clarification from the Ministry on that. Perhaps they
2 can comment.

3 THE CHAIRMAN: Fred Peters is the
4 Director of the Rent Review Division at the Ministry
5 of Housing, which is why he is so popular here.

6 MR. PETERS: We may not be able to
7 offer at this point the clarification in the sense
8 of the exemption from the 4 per cent guideline.
9 Through you, Mr. Chairman, to the Deputant, I assume
10 there was some decision that the unit was exempt
11 from the Residential Tenancy Act?

12 MR. DANYLCHUK: That is right. We
13 had a local hearing down at the local residential
14 tenancy office.

15 MR. EPP: There is an easy explanation
16 of that. It was not within the rental market in
17 1975. And everything in the rental market --

18 MR. REVILLE: He says it was.

19 MR. DANYLCHUK: It was.

20 MR. EPP: It was a single family
21 residence, so to speak, for the landlord.

22 MR. CORDIANO: Perhaps, Mr. Chairman,
23 the Ministry officials would get back to our
24 Deputant and give him some clarification on that.

25 THE CHAIRMAN: It did go to a hearing,



1 did it not?

2 MR. DANYLCHUK: Yes, it did.

3 THE CHAIRMAN: So the law was
4 interpreted at the hearing, presumably?

5 MR. DANLYCHUK: Right.

6 THE CHAIRMAN: So we are not really
7 debating whether or not -- the fact is it was legal,
8 what happened, and that is your point?

9 MR. DANYLCHUK: At the hearing, yes,
10 it was brought up that a new law would cover it. So
11 I am just pressing for that new law. And just
12 basically on the grounds, sort of the intuitive
13 grounds that that 1975 date, it has been 11 years and
14 I don't know if there is much debate about this one
15 clause. But I assume it is fairly logical that you
16 would want to update it.

17 MR. CORDIANO: Well, that would
18 certainly come under the rent review process in the
19 new Act.

20 MR. SHYMKO: I would like to ask
21 the witness, the apartment that you occupy or rent
22 presently, are there more apartments on that second
23 floor or in the building?

24 MR. DANYLCHUK: Well, I have since
25 moved out of this apartment in question, but, yes,



1 there were. It is like an entire city block owned
2 by the landlord and the stores occupy the bottom
3 in a run and then the second floor apartments are
4 there. I believe in some areas there are third
5 floor apartments.

6 MR. SHYMKO: You spoke about
7 supporting the rent registry. You do realize that
8 the rent registry applies only to apartments where
9 there are six units or more, the others do not have
10 to register?

11 MR. CORDIANO: That is not true.

12 MR. SHYMKO: They can only register
13 voluntarily if they want to, but the registry applies --
14 is that correct?

15 THE CHAIRMAN: I think, Mr. Shymko,
16 that is not correct.

17 MR. SHYMKO: I think it is correct
18 from my reading of the explanatory note on Bill
19 51, unless I cannot read English.

20 THE CHAIRMAN: Do you want to give
21 us the precise explanation?

22 MR. SHYMKO: Well, if I may read
23 it, it says that provisions made for the establishment
24 of a rent registry will initially compile information
25 on the rent charged and other relative matters with



1 respect to residential complexes containing
2 more than six rental units. Residential complexes
3 that contain six or fewer rental units will be
4 brought into the registry at a later date to be
5 prescribed. Although a landlord of such a residential
6 complex may voluntarily file the information. He
7 is not forced to and he does not have to register,
8 and some time in the future the government may want
9 to introduce some amendment to the Bill that they
10 will have to register. Is that my understanding?

11 MR. PETERS: Yes.

12 MR. SHYMKO: So if in your building
13 there were six units or less they would not have
14 to register. There would be no registry. The
15 only question I have of the Ministry is the further
16 element stating that unless you register within the
17 specified time provided in the Bill, you will not
18 be liable to any pressure or any request for any
19 rebate that may be requested by the tenant if you
20 register by the required date.

21 Should you not register by then,
22 obviously, they may go after a rebate. So tenants
23 challenging or asking for a rebate, if whoever
24 registers on the required date you cannot challenge
25 that landlord for a rebate; is that correct?



1 MR. PETERS: No, that is incorrect.

2 MR. SHYMKO: Okay.

3 MR. PETERS: The registry provisions
4 state that if you register within the prescribed
5 time limit established by the statute, that the
6 rebate period is limited back to August 1, 1985.
7 If you fail to register within the prescribed period,
8 then you are liable for the full six-year rebate
9 period, or whatever is appropriate under the statute
10 of limitations.

11 MR. SHYMKO: Does this apply to the
12 six units plus?

13 MR. PETERS: Yes.

14 MR. SHYMKO: It does not apply to the
15 six units or less?

16 MR. PETERS: It would apply, the
17 same system would apply once the units are brought
18 into the system.

19 One other point with respect to the
20 units of six or less. If any of those applications
21 come forward for an increase higher than the guide-
22 line they will have to register and be subject to the
23 same tests of any other application in terms of the
24 legal rent.

25 MR. SHYMKO: But my question actually



1 was in your urging this Committee that the government
2 proceed with the rent registry, did you mean all
3 units, be they triplexes, fourplexes, sixplexes
4 or duplexes or 100 or 200 units?

5 MR. DANYLCHUK: Oh, yes, I was not
6 aware of the fine distinction that you have just
7 mentioned.

8 MR. SHYMKO: Why would you object
9 to the distinction between a small landlord with
10 six units or less and six units or more as being
11 sort of a bigger landlord?

12 MR. DANYLCHUK: Well, I really see --
13 I am biased towards the tenant's point of view,
14 but I believe that every apartment, there should
15 be an established record of what the rent is or
16 has been through time and what it presently is so
17 if a new tenant is moving into an apartment he can
18 easily and accurately check that there is nothing
19 going on here, that there be any sort of gouging
20 like I have seen. And, you know, Kingston is the
21 type of town, you have a small city with a large
22 university and you have this going on all the time.

23 I can see you are sympathetic
24 towards the landlords, the smaller landlords --

25 MR. SHYMKO: Absolutely.



1 MR. DANYLCHUK: Versus perhaps the
2 larger ones, but ---

3 MR. SHYMKO: You see no distinction
4 between a big corporate landlord like the former
5 Cadillac Fairview and a retired person who has a
6 duplex that he or she may be renting?

7 MR. DANYLCHUK: Well, from what
8 I understand of the law, just with the rent increase,
9 provided the apartment is under rent review, every
10 apartment as it now stands is limited to a 4 per
11 cent increase. So why should the smaller landlords
12 object to the registry? Unless there is other
13 clauses that I am grossly misinformed about, I can't
14 see them being terribly upset about having to
15 establish it.

16 MR. SHYMKO: Well, the sheer
17 bureaucracy of controlling and running it and so on.
18 It is much easier to apply to big apartment units,
19 I would imagine, compared to every duplex and triplex
20 that you would have. I mean, the almost bureaucratic
21 centralization required in regulating and controlling
22 that is phenomenal.

23 MR. DANYLCHUK: I can understand the
24 bureaucracy behind that in the case of my landlord ---

25 MR. SHYMKO: And the cost.



1 MR. DANYLCHUK: And the cost.
2 My landlord is quite a powerful one in Kingston.
3 And there is a lot of bureaucracy in the cost of
4 the court cases that are now underway against my
5 landlord.

6 MR. SHYMKO: So you have no sympathy
7 whether it is small or big, it is tenant versus
8 landlord and you do not make any distinction?

9 MR. DANYLCHUK: Well, I would rather
10 see the smaller ones exempt, but in the case of,
11 if you take a look at one building, in the case of
12 my landlord, she owns quite a few properties. But
13 in the case of this one building, there are not more
14 than six rental units. So you can still have a
15 fairly powerful landlord getting away with ...

16 MR. SHYMKO: Thank you.

17 MR. REVILLE: I had a supplementary
18 question which I wonder if Mr. Peters can answer.
19 In respect of the complexes that contain six or
20 less rental units, can you tell us whether it is
21 the intention of the government to announce that
22 date that is so far unspecified before we pass this
23 bill?

24 MR. PETERS: I am unable to answer
25 that specific question.



1 MR. SHYMKO: That is a policy
2 question.

3 MR. PETERS: It is a date yet to be
4 proclaimed or prescribed.

5 MR. REVILLE: Mr. Cordiano knows
6 the answer, I guess. I think that is a question that
7 we ight want to ask the Minister. I would ask you
8 to make note of that because you would not think a
9 date was a policy question, but it does say a date
10 to be prescribed. It would be interesting to find
11 out whether they have intentions of prescribing it --

12 MR. SHYMKO: Before the election or
13 after.

14 THE CHAIRMAN: I think Mr. Peters
15 shows good judgment.

16 MR. REVILLE: He is a man of sound
17 judgment. That is why he is in the position he is
18 in. That is why we rely on him so.

19 THE CHAIRMAN: That is right. There
20 being no further questions, Mr. Danylchuk, thank
21 you very much for appearing before the Committee.

22 Is Mr. Jackson here now from the
23 City?

24 MR. R. JACKSON: We have a very
25 few brief comments to make particularly with regard,



1 sir, to section 15 of the Bill. This Bill sets out
2 a mechanism for enforcement in part. In subsection
3 (2) it indicates that the counsel of every
4 municipality is responsible for the enforcement of
5 the standards in the prescribed manner. No doubt
6 you have already heard today that the City of
7 Kingston, at least in this area, is a quite old
8 city and there is a number of old buildings. We
9 have been very active up to the present time with our
10 own property standards legislation which is past
11 under the provisions of the Ontario Planning Act.

12 We have a substantial number of
13 notices and orders issues under that legislation
14 already and they apply to both landlords and tenants,
15 but in particular landlords.

16 We have some concern that there
17 might be a different set of standards promulgated
18 under this legislation, in particular the stated
19 standards which are called maintenance standards.

20 I guess our first suggestion to the
21 Committee and the legislature is that there should
22 perhaps best be a meshing of the standards. It would
23 not seem prudent to have two sets of maintenance
24 standards, in our view. The standards granted
25 under the Planning Act are minimum standards, but we



1 suggest that there could be a bureaucracy develop
2 with regard to a different set of standards when it
3 might be best to have one set of standards. If it
4 is necessary to proceed in this manner, we would
5 question whether it would not be possible to provide
6 for existing standards in a municipality being
7 applicable where they are already in existence. They
8 could be reviewed by the Ministry, and we do not
9 want to see two sets of standards when we are already
10 well aware, I think, of the difficulty enforcing one
11 set of standards. It does require sufficient manpower
12 to do so, and we would want to try and avoid
13 duplication since the municipalities are charged
14 with enforcement of the standards.

15 We are concerned with the standards
16 which may come out and would ask if we are charged
17 with enforcement, that there be some consultation
18 with the municipalities concerned before the standards,
19 which I believe might become regulations, are
20 completed.

21 Thirdly, we would ask that there
22 be some provision for payment of the necessary
23 administration. There are many Acts, of course, that
24 the municipality is charged with enforcing in
25 addition to its own by-laws, and there is not always



1 payment that comes from the legislature for those.
2 But, when we are already enforcing standards that
3 have been passed by the local council and these
4 standards may not be the same, we would ask that
5 there be some provision either in the legislation
6 or in the regulation for the setting of fees and
7 there be some direction given with regard to the
8 payment of those fees and whether there may be
9 some grant from the province to cover the necessary
10 administration that may accompany the Act.

11 The involvement of property standards
12 officers has already been significant in this
13 municipality and we think this would increase the
14 staffing, particularly if there is a different
15 standard and based on the need to have one standard
16 we think it will work better. But even with one
17 standard there would, in our view, Mr. Chairman, be
18 a need of municipal officials to be more involved
19 in hearings than before, and we would ask that there
20 be consideration given to the administration costs,
21 with either the payment directly from the province
22 by grants in law or other similar methods, or the
23 setting of fees to be paid at the hearing by the
24 appropriate party, perhaps in a manner not unlike
25 other litigation.



1 We would like to be involved and
2 consulted if the Act proceeds and I know there may
3 be amendments to it, but we would appreciate
4 receiving information at the local level since
5 we will be charged with a fair amount of involvement
6 in the administration of the Act.

7 Those are our comments, sir.
8 Thank you very much.

9 THE CHAIRMAN: Thank you,
10 Mr. Jackson. Before you run away I think one of the
11 members had a question for you.

12 This was raised before the Committee
13 before and we wrote to the chairperson of the
14 municipal organization and I am not sure who
15 that is, is it the Mayor of Kingston?

16 MR. R. JACKSON: Yes, it is our Mayor
17 here, sir.

18 THE CHAIRMAN: And asked him whether
19 or not members of that organization were aware of
20 section 15 and what that entails and whether or not
21 they are prepared to cope with it.

22 Mr. Peters, do you know whether
23 there has been a response?

24 MR. PETERS: Not directly to us.
25 What we have indicated previously is that as members



1 of the Committee realize, the RRAC committee is
2 still tussling with the issue and we had pledged,
3 as I recall earlier, that once we had that product
4 we would begin consultation with that organization
5 before anything was done precipitously, to make
6 sure that in fact the standards were achievable,
7 enforceable, and were not in conflict with local
8 property standards.

9 THE CHAIRMAN: Thank you.

10 Mr. Jackson?

11 MR. C. JACKSON: Mr. Chairman, as
12 the Member of the Committee who raised that
13 question, I think you will recall that my main
14 reason for raising it at the time as that as we
15 embarked around the province an apparent effort
16 to listen, that we were noticably absent any
17 input from municipalities with respect to the
18 implications of section 15. To that extent the
19 letter has been successful. I would like you to
20 thank your Mayor, whose permission you obviously
21 had to obtain before you came here to speak on
22 behalf of the City, but please thank him on behalf
23 of myself and the Committee for coming because,
24 quite frankly, it is a concern to us that we have
25 not heard to date from municipalities on this very



1 sensitive issue.

2 Also, as another Jackson who had
3 four generations of my family raised in Gananogue
4 and Kingston, I am always looking for cousins.

5 I have a couple of quick questions.

6 MR. REVILLE: Do you even need to
7 ask the question now that you have made a speech?

8 MR. C. JACKSON: Well, at least
9 I have your attention. I don't get it in the House.

10 The question I have is: you say
11 you have a substantial number of notices and orders
12 and I wonder if you could briefly stylize the
13 extent of current administrative difficulties with
14 administering maintenance -- well, there is three
15 or four different types that fall into the realm
16 that this Bill may be dealing with, fire and other
17 types of building code regulations and that.

18 How is it your department is handling
19 the problem and what is the degree of compliance?
20 In other words, what is the situation like now,
21 and we are going to load some additional responsibili-
22 ties in to it?

23 MR. R. JACKSON: At the present
24 time the City of Kingston, which has a population
25 of approximately 60,000 people, we have a building



1 office which has approximately 10 employees and
2 there is three inspectors who are full-time on
3 property standards compliance. We have recently,
4 at the suggestion of our counsel, dealt with these
5 matters not only on a complaint basis but by perform-
6 ing area inspections and seeking out violations.

7 It is a little different than the
8 norm across Ontario in that respect and it was a
9 council directive that we believe we have been able
10 to resolve certain problems that this Act may be
11 addressing.

12 The problems in the end, of course,
13 are interior and the consent in part of the landlord
14 or landowner to obtain entry -- when we have
15 complaints from tenants or otherwise, entry is gained
16 very easily. But we have, I think, proceeded with
17 the issuance of up to a thousand notices a year
18 for different properties in the City and they have,
19 by and large, been complied with by the landlords.
20 We have had good co-operation in terms of the staging
21 of the process.

22 We have to follow by legislation and
23 the Planning Act a notice, an order, and we also
24 issue a pre-summons letter before we issue the
25 summons and go to court. Approximately 90 per cent



1 of the deficiencies are remedied before court and
2 within reasonable times.

3 We have experienced a need to
4 proceed to court on some matters but we have on the
5 whole experienced a wide degree of co-operation by
6 the fact that the process, which is legislated,
7 is complied with before the end, usually, and we
8 have a very active property standards appeal committee
9 in this municipality.

10 We have made known that those
11 hearings that are appealed to committee are open to
12 both landlords and tenants who have attended to air
13 their complaints.

14 We feel the issue has already been
15 dealt with to some degree here by the legislation
16 and by the necessary policy commitment that has been
17 made to property standards legislation by Kingston
18 City Council.

19 THE CHAIRMAN: Mr. Jackson, would
20 you allow a supplementary from your colleague?

21 MR. C. JACKSON: Yes.

22 MR. REVILLE: I served with your
23 Mayor on the municipal committee when I was in
24 municipal politics and I have some understanding
25 of the effort you put out here in Kingston. Your



1 three inspectors, can you give me an idea of how
2 many properties they are handling? Would it be
3 10,000. That was a number I heard earlier today.

4 MR. R. JACKSON: I think I would
5 have to verify that. I would not want to mislead
6 anyone, especially in a public forum, but the fact
7 that there is approximately a thousand issuances,
8 as I mentioned earlier, would lead me to believe that
9 some complaints of course are not the subject of
10 proceedings.

11 And other inspections are
12 repetitious because the legislation requires
13 reinspection on numerous dates. But with three
14 men going full time on this, they might inspect
15 10, at least 10 to 20 properties a day each.

16 MR. REVILLE: So potentially 15,000
17 inspections a year if my rapid calculation is up
18 to it?

19 MR. R. JACKSON: I would like to
20 verify that and provide it to the Committee.

21 MR. REVILLE: I have done a little
22 bit of work on the situation in Metro and the current
23 property standards inspection efforts that would be
24 required to service over 8,000 apartments each. That
25 seems like a hell of a workload to me.



1 One of the problems that Mr. Jackson
2 has been concerned about and I agree that we should
3 be concerned about it, is if we are going to require
4 municipalities to do this, are they going to have the
5 horsepower and funds to do it. It should not come
6 out of the municipal rate, it seems to me.

7 MR. R. JACKSON: I guess that is the
8 municipal position, at least for our municipality.

9 MR. REVILLE: Thank you very much.

10 MR. C. JACKSON: You made reference,
11 Mr. Jackson, earlier to the substantial notices and
12 orders that are outstanding. You referred to some
13 landlords, some for tenants. Could you just give
14 us a couple of examples of an outstanding order
15 for a tenant?

16 MR. R. JACKSON: Yes, our by-law
17 was amended several years ago to indicate that,
18 where applicable in the by-law, the tenant did share
19 in the responsibility for such things as cleanliness
20 of the units and normal wear and tear. How we
21 determine that is in part by the leases. Sometimes
22 the leases don't shed light on it, sometimes they do.
23 So that there are times when there are leases
24 that are very explicit, and the responsibility is
25 spelled out in a by-law for tenants can be required



1 and we have had co-operation from both sets of
2 groups. Of course we have had more from landlords
3 because we have more work with landlords. Most of
4 the orders we issue are against landlords.

5 MR. C. JACKSON: My next question
6 has to do with your reference to fees. You said
7 some reference in the legislation should be there
8 to cover fees and then you used the example much
9 as there is in court awards. What are the actual
10 fees that you are referring to here, so I am 100
11 per cent clear. The fees for administration?

12 MR. R. JACKSON: Yes. For instance,
13 you take the new Bill 11 which the legislature
14 recently passed, there was provision in there
15 for administrative fees to cover municipality's
16 processing of applications under that Act. I guess
17 we will be looking at the fees to cover the inspec-
18 tions and we would be looking at some open fees
19 to cover the other administration necessary with the
20 issuance of notices and orders both to the
21 individuals concerned and the correspondence to the
22 Minister where it is required under the Act.

23 MR. C. JACKSON: You do not have to
24 answer this if we are uncomfortable with it, but are
25 you anticipating that this fee be charged to the



1 government because the bill to the landlord is a
2 direct expense, or to the tenant in the form of an
3 acknowledgement of the fee in the final formula which
4 therefore is passed on to the tenant? I am calling
5 for a subjective response but it may be one way of
6 answering: would you believe it appropriate for the
7 government to examine all three areas?

8 MR. R. JACKSON: Yes, I do.

9 I feel first of all it is a policy matter that has
10 to be addressed squarely by the politicians and
11 the legislature.

12 But I also feel in frivolous cases
13 that the person who initiates something that is
14 frivolous should not get away scot-free. I think there
15 should be provision for the person that is
16 responsible for the deficiency to pay perhaps some-
17 thing, otherwise there is no incentive sometimes to
18 rectify it.

19 I think there is some incentive
20 under the Act by itself that there won't be a rent
21 increase. That is in a sense a penalty right there,
22 but in addition, if for some reason there was what
23 may be termed a frivolous delay in the matter, if
24 that is possible, then I think there should be
25 provisions for fees for all concerned.



1 I note that the Ontario Municipal
2 Board has chosen to initiate that type of procedure
3 for rezoning matters and I think it is fair to at
4 least consider that so that the system isn't abused.

5 MR. C. JACKSON: So within that
6 range of options would be one in which we might
7 consider tenants who are going for the hearing who
8 would have to bear the cost if the process was unduly
9 delayed as a result? That is the analogy to zoning?

10 MR. R. JACKSON: Yes, if it was
11 frivolous. If it was a legitimate complaint the
12 tenant had and was borne out in a hearing, either
13 they were or were not successful, I don't think costs
14 should automatically follow the event or whatever.
15 But if the tenant didn't show up or was frivolous
16 otherwise and so determined, there may wish to be
17 a consideration.

18 Now, in this case I think there is
19 other verification by the inspector necessary so that
20 the frivolous nature would be difficult to bear out.
21 If it didn't happen then I think there should be
22 provision for all parties to have some consideration
23 of that.

24 MR. C. JACKSON: Thank you, Mr. Chairman.
25 That completes my questions. You know how many more



1 questioners you have, but perhaps Mr. Peters would
2 like to respond. Maybe the Committee is working on
3 errant assumptions with respect to how that aspect
4 of the process works, or is it possible for a
5 frivolous -- I think the substance of the concern
6 is, is it possible for a frivolous complaint to
7 occur? I did not think there was one in this
8 instance.

9 MR. PETERS: Section 15 of the Act,
10 assuming that it gets through the first set of
11 filters, the municipality has issued the notice,
12 there is a provision in the Act that the Minister
13 or the Board as the case may be has discretionary
14 power, if you will, that notwithstanding it may
15 proceed if in fact an item is beyond the landlord's
16 control or for any other reason.

17 I suppose just prior to a rent
18 increase one has to admit the possibility that
19 there would be a complaint lodged. So that we have
20 to sort of filter that, so that in fact a frivolous
21 complaint does not in fact stop a bona fide applica-
22 tion for rent increase. I think section 55(a) and (b)
23 are an attempt to address that.

24 MR. C. JACKSON: Thank you.

25 THE CHAIRMAN: Thank you very much,



1 Mr. Jackson for appearing before the Committee
2 and reinforcing the concerns we have.

3 MR. R.JACKSON: Thank you very much.

4 THE CHAIRMAN: Before we adjourn
5 I would like, I am sure, on behalf of the Committee
6 Members, to express our appreciation to everyone
7 here from Kingston who made a presentation, for
8 being concise in their presentations in view of the
9 restrictions we have on time. We very much
10 appreciate the way you have done it, thank you very
11 much.

12 We are adjourned until seven o'clock.

13

14 ---Adjournment at 5:30 p.m.

15 ---Upon resuming at 7:00 p.m.

16

17 THE CHAIRMAN: There are still a
18 couple of our Members straggling back from the
19 restaurant, but I think we should begin the
20 proceedings.

21 Our first presentation this evening
22 is from Mr. Robert Storrington. A copy of his brief
23 has been distributed to Members of the Committee.

24 Mr. Storrington, if you would come up
25 and make yourself comfortable.



1 MR. STORRING: I will try and make
2 myself comfortable as much as my nerves will let me.

3 THE CHAIRMAN: Well, this is a very
4 informal Committee.

5 MR. STORRING: You have copies of
6 my brief and I believe I am just going to read through
7 it and ask a couple of questions, and I hope you
8 ask a couple of questions.

9 Mr. Chairman and Committee Members,
10 before beginning I wish to thank you for this
11 opportunity to speak on Bill 51. I am here as
12 Past-President of and representing the Kingston
13 and Area Real Estate Association, as well as my
14 own personal views. Before delving into a few of
15 the questions and problems that we see with Bill 51,
16 we wish to compliment the government on trying to
17 reach an accord between landlord and tenants.

18 However, we must point out that we
19 are fundamentally against rent control of any sort
20 as an invasion or private property rights.

21 Some of the problems that we can see
22 with Bill 51 include the fact that landlords not
23 complying with maintenance standards are prohibited
24 from applying for rent review when rent review and
25 increased rents may be their only means of getting



1 financing to do required maintenace.

2 Rental residential standards will
3 be very difficult to enforce as standards may
4 differ from place to place, particularly from larger
5 urban centres to smaller rural centres. I might
6 interject here that I live in a small village of
7 about 500 people.

8 Policing of rental residential
9 standards will be a problem at local levels. Who
10 is to do inspections. Who is to pay for it? The
11 local township council where I live, as of Monday
12 night, had not even heard of Bill 51 let alone their
13 role in it. I might add that they were not pleased
14 when shown section 15 of the Act.

15 RCCI and BOCI formulaes are far
16 too complicated for the average small-time landlord
17 and will greatly increase their burden. In fact
18 from a quick survey of 9 out of 13 landlords in the
19 village where I live, none knew of Bill 51 or what
20 it meant to them. Yet they will all be subject to
21 this stringent and complicated regulation.

22 From their responses I expect that
23 a good number of small time "Ma and Pa" operations
24 will disappear, either by selling out or simply
25 discontinuing renting. A purchaser of a rental



1 building could find himself in a loss position if
2 rents, found illegal, were ordered rolled back by
3 rent review at a later date.

4 Perhaps one of our biggest concerns
5 that is not treated in the Act is costs. Can this
6 Committee give me an idea of how much this new Act
7 will cost in administration of all aspects? How
8 much will it cost to local municipalities? How
9 much will it cost overall to average taxpayers
10 on a household basis? I would venture to say that
11 the cost will be well up in the millions of dollars.
12 If all of this money is going to be spent to regulate
13 rents, why would it not be better spent to sub-
14 sidize those who really need it and not those who
15 don't.

16 This brings me back to basic rent
17 control itself. The government is misguided in
18 regulating rents and subsidizing all tenants when
19 even the THOM Commission stated that only 15 per cent
20 of rentors could not afford market value rents.
21 Rent control strikes at the very heart of our
22 democratic free enterprise system and upsets and
23 destroys the control of supply and demand and free
24 competition.

25

A Federal Trade Commission Report on



1 rent control for the District of Columbia in the
2 United States in March, 1985, stated that rent
3 controls "lead to a shortage of rental housing,
4 abandonment of rental units, and unwarranted
5 subsidies to middle class and well-to-do renters."
6 We see the same happening here.

7 In conclusion, let me state under
8 duress, that we are in support of Bill 51 as it
9 is better than what we now have, but the government
10 is trying to perform a juggling act which is totally
11 unnecessary.

6 12 If the government were to phase out
13 rent controls and replace them with a system of
14 subsidies for those who could prove need, the rental
15 stock would be replenished, rents and maintenance
16 would be held in check by competition and property
17 rights would not be violated in such a crude manner.

18 Thank you.

19 THE CHAIRMAN: Thank you, Mr. Storrington.
20 I expect that most members of the Committee would
21 agree with you that landlords really do not know
22 what Bill 51 is and it is not their fault. I am not
23 passing blame on to the landlords. It is a complex
24 piece of legislation and is not easily explained
25 in a press release, or in any kind of statement from



1 the Ministry. I think most of us would agree with
2 you in that respect.

3 Any questions by members of the
4 Committee.

5 MR. SHYMKO: I congratulate you on
6 your presentation, Mr. Storrington. We had representa-
7 tives of the municipalities here and in other areas
8 and we listened to the concerns of the Council
9 representative before this Committee this afternoon
10 about the cost and impact it would have, and sugges-
11 tions of some form of subsidy from the provincial
12 government for the use of fees and so on.

13 Do you see any particular area of
14 Bill 51 which is a concern in terms of costs? Is
15 it the rent registry and administering that, or is
16 it the cost of the reviewing and inspecting the
17 standards and compliance with these residential
18 standards?

19 MR. STORRINGTON: I can actually see the
20 whole Act being very costly because what we are doing,
21 we actually have rent controls right now and what we
22 are doing is possibly relaxing some of the regulations
23 a little bit but adding more paperwork. So
24 whether or not the added paperwork and added expense
25 offsets what is going to be obtained, I don't know.



1 I can see costs to local township
2 councils, particularly in small areas like mine where
3 you maybe have one building inspector who is going
4 to have to police standards, if you like, and who
5 is going to pay for that? I am a homeowner, is that
6 going to be levied on top of my millrate. It is
7 going to put my millrate up or what? If it is, it
8 is not actually fair.

9 MR. SHYMKO: Would the rent registry
10 and the administering of that be viewed by you as
11 another costly venture? I think statistics point
12 out that there are some 13,000 buildings in Ontario
13 with 700,000 units that would be defined as seven
14 units plus. These are buildings with seven rental
15 units and more.

16 Now, the first stage of the registry
17 is to look at including those 13,000 buildings. The
18 others, the six units or less, statistics show some
19 300,000 buildings. Do you feel it was a wise
20 decision on the part of the government to present
21 a Bill that would focus, that would divide the
22 registry, asking for the seven plus units first,
23 or do you object to that as well?

24 MR. STORRING: I actually object to
25 it. I don't see any problem with dividing it because



1 I think that's just the way to make an operation, to
2 start if you want. The six and under units, from what
3 I read in section 55 of the Act, will it someday have
4 to be registered which means that even smaller units
5 in a place like where I live, a small village, are
6 subject to the rent registry.

7 I have a problem with the rent
8 registry. I went through that Act. I am not a lawyer,
9 I went through it about six times, I don't understand
10 it. I won't pretend to understand it at all. I have
11 a problem with the rent registry in setting market
12 rents for areas. What are you going to do in a case
13 like the village I live in 30 miles from here? A
14 two-bedroom unit there might rent for \$200. According
15 to the rent registry that will be the average rent
16 for that area. But you can go down the County Road
17 towards Kingston about six miles and the same two-
18 bedroom unit will rent for \$300. Which one is going
19 to be used? How will they differentiate when you
20 get into small centres?

21 MR. SHYMKO: But you really have not
22 made a study of the cost of administering this
23 particular legislation when implemented?

24 MR. STORRING: No.

25 MR. SHYMKO: Because you mentioned



1 millions of dollars and I just wondered ---

2 MR. STORRING: That is what I am
3 asking you guys and you should be able to answer that.

4 MR. SHYMKO: All right. Thank you,
5 Mr. Chairman.

6 MR. REVILLE: Just to maybe clear
7 up some confusion about the rent registry, it is not
8 average rent, it is actual legal rent that is charged.
9 That is the point of the rent registry. It seems
10 to me there is no point in having rent control unless
11 you can determine whether or not rent control is
12 working. If rents are to go up by some percentage
13 you have to have a base so you can figure out
14 whether the rents did go up by a particular percentage.

15 MR. STORRING: What is the base
16 going to be? The actual rents themselves?

17 MR. REVILLE: Yes. In fact, the
18 rent registry provision allow a landlord to show what
19 his rents might have been if he had used the system
20 that is in place. So in fact you have -- clearly
21 the rent registry is a place to start from, and if
22 the rents in your area are indeed \$200 a month and
23 are too low, say, that is a different problem. That
24 problem can perhaps be resolved through the rent
25 review system.



1 MR. STORRING: What if they are not.
2 What if five miles down the road the market is \$300
3 a month?

4 MR. REVILLE: What you are trying
5 to establish is, I have a unit on the main street of
6 your town and the rent is, the legal rent is so much
7 and then next year I can determine whether the
8 increase added to the legal rent is correct. This
9 Bill does not attempt, in that respect, to deal with
10 any market problems.

11 MR. STORRING: It all sounds good,
12 but one of the basic questions was, somebody, I believe
13 this gentleman said that I said it is going to cost
14 in the millions of dollars. Can you tell me what
15 this rent registry is going to cost?

16 MR. REVILLE: No, I can't, the
17 government has not told us that. One of the numbers
18 I heard is that this Bill is going to cost upwards of
19 \$20 million to administer. Mr. Peters said yes and
20 Mr. Lafferty said no.

21 MR. JACKSON: On average they are not
22 bad.

23 MR. REVILLE: But the government does
24 publish annually the numbers in respect of its housing
25 efforts and in fact Ontario Housing Corporation and



1 other efforts of the government in housing amount
2 up to, in the hundreds of millions of dollars annually.
3 That is correct, too, isn't it? They are both nodding
4 yes together this time.

5 MR. STORRING: At any rate we are
6 agreed it is going to cost some millions of dollars.

7 MR. REVILLE: Yes.

8 MR. STORRING: What you are saying,
9 then, is that this Bill allows a little more leeway
10 for landlords, which I think should be allowed,
11 because I don't beleive in rent control. But what it
12 does is shift the cost from the landlords who in
13 effect, to me, have been paying, to me as a homeowner.
14 Not only are the landlords supporting the lower rents,
15 if you want, or people that could afford to pay market
16 rent, but now I have to support them too. I have
17 been to a degree, but I think I am going to support
18 to a much larger degree when this Bill is passed.

19 MR. REVILLE: That is a concern
20 expressed by Mr. Jackson down there and by me, about
21 the cost to municipalities and local township councils
22 in enforcing the residential standards. The
23 government has committed itself to reviewing these
24 standards with local municipalities. It has not
25 so far committed itself to any kind of rent program



1 to local municipalities to help them undertake this
2 work. That is one of the things we will want to know.
3 How much is it going to cost to enforce this and who
4 should bear the cost, whether it should be the property
5 taxpayer or the income taxpayer. One way or the
6 other you are going to pay for it though.

7 MR. STORRING: Sure, that is why I
8 question if we need it.

9 MR. SHYMKO: Could I have a supplemen-
10 tary if Mr. Reville has completed his question? It
11 is to the Ministry.

12 My understanding is that the effective
13 date is August of 1985 for the registry. Is there
14 a date?

15 MR. PETERS: July 1.

16 MR. SHYMKO: How far do you go back
17 to outline the rents charged for a particular unit?
18 Would you not have to go back to 1975?

19 MR. PETERS: Not necessarily. With
20 the passage of the statute and subject to the registry
21 section being proclaimed, then landlords that own
22 buildings of seven units or more will be required
23 to registry the rent actually charged as of July 1,
24 1985. Now, at that point a number of options are
25 obviously clear.



1 The first one is that the rents, or
2 that rent is based on a rent review order. Of the
3 700,000-odd units that are captured by buildings
4 of seven units or more, we know that about 450,000
5 have been to rent review. What the registry will
6 do through the computer system is look back, if you
7 will, to the last order issued on that unit and
8 calculate forward based on the statutory guidelines
9 or, in this case, only the statutory guideline, and
10 see how that rent recorded on July 1 compares.
11 If they are equal, then obviously the rent is legal
12 and the Act requires for nothing more than a nine-day
13 notice requirement to both the landlord and tenant.

14 The other case, what is still being
15 discussed, if there is a minor variation between that
16 rent as of July 1, 1985, compared with a past
17 order, there is a small margin of difference and that
18 will be considered to be a legal rent. If there is a
19 wide difference, and for the sake of this discussion
20 say \$150 between the rent charged and the rent we can
21 find based on an order, the Ministry will undertake
22 an investigation. At that point the landlord will
23 have the opportunity to justify that rent on the basis
24 of what rent increases have been allowed had they
25 approached rent review.



1 In that area the Committee has heard
2 testimony on a number of occasions from landlords
3 who have foregone an annual rent increase for three
4 years, for the sake of discussion, and then have
5 increased the rent by X amount to capture back. The
6 landlord would be given that opportunity. If that
7 rent, after examination, is found to be "illegal"
8 there is a provision in the Act for an order to made
9 establishing the legal rent at the same time address-
10 ing the issue of the rebate and rollback.

11 MR. SHYMKO: In other words, you
12 have two categories of landlords, 450,000 on whom
13 you have some file because of the process of their
14 appearing before the Residential Tenancy Commission,
15 and another 350,000 units, let's assume on whom we
16 have no record whatsoever and would have to accept
17 their statement as being valid or else send
18 inspectors to study the history of those particular
19 units? What I see is two categories of rental units
20 in fact.

21 MR. PETERS: My comment is addressed
22 to the first group, the 450,000 for which orders have
23 been issued under the Residential Tenancy Act. There
24 are, as you point out, some 300,000-odd units on
25 which there is no history. Neither the Ministry nor



1 the Residential Tenancy Commission has any information
2 to suggest that the rents are legal or illegal.
3 At that point we will have to -- those rents are
4 liable to the two-year challenge period and at that
5 point we will investigate, if it is brought to our
6 attention, through whatever means necessary, that
7 in fact there is some suggestion for illegal rents.

8 Obviously there are rents in that
9 population that would be legal and I half suspect
10 there would be some illegal. But we do not have
11 any information on that because there is no history
12 of rent review.

13 MR. SHYMKO: And there is no onus
14 on the landlords of those 350,000 units that we are
15 talking about to prove that history going back to
16 1975, let us say?

17 MR. PETERS: No, not under the Act
18 as drafted.

19 MR. SHYMKO: Thank you, Mr. Chairman.

20 MR. STORRING: I have one comment
21 I would like to make. The gentlemen on the end down
22 here, it has bothered me ever since this afternoon
23 and all through dinner and everything, that gentlemen
24 was talking about renting an apartment downtown in
25 Kingston. He said he was paying \$1,000 a month, and



1 the landlord, under a free system, the landlord
2 doubles your rent to \$2,000 and all of a sudden poor
3 you, you have to pay \$2,000. What would happen, sir,
4 in that situation, I feel, if that landlord were
5 making a ten per cent return on his investment at
6 \$1,000 per unit and he doubles it to \$2,000 he is
7 going to make 20 per cent per unit. As an investor
8 I would come along very quickly and put up another
9 building and rent the units for \$1,500 and be happy
10 with 15 per cent. That is exactly what would happen
11 and that is where free enterprise would work, to
12 keep the rentals in control.

13 I would very quickly learn that I
14 was going to have a building mostly empty and drop
15 my rents accordingly to fill it back up again. That
16 is what I submit would happen in a case like that.

17 THE CHAIRMAN: Thank you,
18 Mr. Storrington. The next group is one that we are
19 anxious to hear from. The Ontario Association of
20 Property Standards Officers, because there has been
21 a lot of comments about property standards. Brian
22 Allick and Jim Moorman, I believe. Make yourselves
23 comfortable and proceed if you will.

24 MR. ALLICK: Good evening, gentlemen.
25 My name is Brian Allick and I, as indicated, am



1 accompanied by Mr. Jim Moorman.

2 The Ontario Association of Property
3 Standards Officers is a legally constituted associa-
4 tion of voluntary members who are employed by
5 municipalities to administer and enforce existing
6 property standards by-laws across the province of
7 Ontario on a daily basis.

8 It has for a number of years presented
9 training programs for persons involved in building
10 maintenance and rehabilitation. This association
11 received financial support from the provincial
12 government in the presentation of these training
13 programs. Members of this association have appeared
14 before municipal councils and assisted in the formula-
15 tion of property standards by-laws. It has worked
16 closely with Canada Mortgage and Housing Corporation
17 in the production of training programs for presenta-
18 tion across Canada.

19 Many of its members also administer
20 provincial and federal financial loan programs ranging
21 from programs assisting an owner of high rise build-
22 ings, to involvement in handicapp assistance and
23 heritage buildings. It is with the experience and
24 knowledge of members of this association that we have
25 reviewed Bill 51.



1 This association recognizes that this
2 Bill is in furtherance of the government's 1985
3 assured housing policy and contains many of the
4 recommendations of the Rent Review Advisory
5 Committee, basically the Grenier 1986 Report. We
6 further recognize that this Bill addresses only
7 rental properties and would respectfully bring to
8 the attention of this Committee that problems of
9 building maintenance which are of concern to
10 municipalities are not limited to rental properties.
11 The experience of this association has been that
12 there are as many complaints received by municipalities
13 from privately owned and occupied buildings as there
14 are from rentals.

15 Passage of this Bill in its present
16 form creates an onerous liability on a municipality,
17 both legally and financially. Because of the mandate
18 of this association we will limit our comments on
19 Bill 51 to sections 14, 15 and 114(7).

Under subsection 14 it provides for the setting up of a Residential Rental Standards Board, RRSB, which would have the authority to develop an established appropriate maintenance standard to apply to all residential complexes and rental units in the province. Up to the present time it has



1 always been conceded that the level of government
2 closest to the people is better able to determine
3 what standards of maintenance are most appropriate
4 to the condition of existing buildings in their
5 jurisdiction. This has resulted in varying standards
6 to suit local conditions. If a province-wide standard
7 is established and developed, it would of necessity
8 be too general for most areas and conceivably of no
9 consequence in those jurisdictions where the majority
10 of the buildings are of more recent construction,
11 such as Scarborough, North York and Mississauga.

12 Even within many municipalities
13 the council has found it necessary to set standards
14 which apply only to those buildings in older
15 neighbourhoods. It would be inefficient, to say the
16 least, for the RRSB to develop and establish such
17 standards without direct input from all the
18 municipalities in Ontario.

19 It is suggested that these regulations
20 cover certain services and facilities specified
21 in the Bill. It would be impossible to set mainten-
22 ance standards for the majority of the services and
23 facilities stated in the Bill unless the standards
24 were so general that they would be meaningless.

25 For instance, storage facilities in



1 existing buildings cover a wide range of applications,
2 and vary to a considerable extent. The standard could
3 be nothing more than adequate, the local interpretation
4 of which is one of the aspects of local by-laws
5 that Bill 51 is intended to overcome. The proposed
6 legislation ignores the existence of standards of
7 maintenance for rental properties in over 200 municipi-
8 palities. If maintenance standards are developed and
9 established by the RRSB, it is inevitably that
10 such standards will overlap, duplicate and possibly
11 conflict with standards already contained in local
12 by-laws. It is probable that some RRSB standards
13 will be considered inappropriate and even unnecessary
14 by some municipal councils.

15 Section 15. The reluctance of
16 some municipalities to use the existing permission
17 legislation to introduce maintenance by-laws is
18 understandable for reasons I am sure it is not
19 necessary for this association to comment on. Section
20 15 of this Bill will not change this reluctance and
21 this association suggests that the wording of section
22 15(2) be changed to read the same as section 3(2)
23 of the Ontario Building Code Act which reads as
24 follows:

25 "Section 3(1):



1 The Council of each Municipality
2 is responsible for the enforcement
3 of this Act in the municipality.

4 Section 3(2):

5 The Council of each municipality
6 shall appoint a chief building
7 official and such inspectors as are
8 necessary for the purposes of the
9 enforcement of this Act in the areas
10 in which the municipality has
11 jurisdiction."

12 Section 15(2) and section 114(7). By operation of
13 section 15 the municipalities would have the
14 responsibility to enforce the maintenance standards
15 which will be prescribed by the Lieutenant-Governor-
16 in-Council under section 114(7).

17 In practice it would appear that the
18 RRSB will develop the standards which will be made
19 law by regulation passed by Cabinet. The municipa-
20 lities will then be called on to enforce these
21 standards. The municipalities will find it extremely
22 difficult to operate under these conditions.

23 At present they set their own
24 standards and determine the manner in which the
25 by-law will be administered. This allows them to



1 determine standards which are relevant to the
2 condition of buildings in their jurisdiction, and
3 to exercise the degree of sensitivity which is
4 appropriate to the circumstances in their areas.

5 For instance, it may be entirely
6 appropriate for a council to decide that maintenance
7 standards should be applied to only one class of
8 building in a designated part of the municipality.
9 This approach may be the best, most reasonable
10 and sensitive way to apply standards at a given
11 time in a particular municipality. The council
12 may also decide that inspections will be carried
13 out only when an informant makes such a request in
14 writing which must be approved by the council before-
15 hand. Other municipalities may decide to develop
16 standards for all buildings and apply same to the
17 whole municipality, within inspections to be carried
18 out upon complaint of any one as well as upon the
19 determination of the municipal inspectors.

20 At present these practices are
21 used in varying degrees by various municipalities.
22 They have decided that the type of standards and
23 methods of enforcement should be related to the
24 conditions in their municipalities, and of course
25 they are correct in their interpretation of what



1 should be done.

2 It is the opinion of this association
3 that the methods allowed in section 31 of the Planning
4 Act for determining standards and enforcement are
5 the best for performing these activities at the
6 municipal level. If there is criticism about the
7 current process, it is in relation to the results
8 of the enforcement of the standards as opposed to
9 their existence in the format set up under the Planning
10 Act, a format that is sensitive to local problems
11 and is fair and equitable.

12 The enforcement of property standards
13 by-laws is a legitimate concern of the rent review
14 commissioners who are increasingly aware of the
15 deteriorating conditions of rental properties.
16 Property standards officers are increasingly being
17 used as weapons by tenant committees and rent review
18 committees.

19 Successful maintenance of rental
20 properties will not be achieved by this Bill. The
21 legislation itself is not the answer to the removal
22 of substandard conditions in residential rental
23 units. There is in fact sufficient legislation
24 for maintenance and otherwise to cover all existing
25 property in Ontario.



1 If it is the determination of the
2 provincial legislature that all of the provisions
3 of Bill 51 which relates to standards of maintenance
4 shall be enacted into legislation, then some
5 recognition must be given to section 31 of the Planning
6 Act.

7 The RRSB must take into account
8 what has happened at the local level with respect to
9 the setting of standards and the provincial cabinet
10 must recognize what has happened locally with respect
11 to enforcement. The problems being experienced at
12 the present time regarding the maintenance of build-
13 ings were being experienced regarding new construction
14 prior to the passage of the Ontario Building Code
15 in 1974.

16 Even this legislation had a rocky
17 start and after nine or ten years and many presenta-
18 tions by this association and brother associations
19 to the provincial government, the government finally
20 recognized that successfull implementation of this
21 type of legislation requires highly trained municipal
22 employees to administer property standards and codes.

23 The government, in its wisdom, finally
24 formed the Municipal Inspectors Training Education
25 Council, or MITEC. This council is made up of all



1 the building related associations in the province
2 who, with the assistance and guidance of the province,
3 has produced training courses for municipal employees
4 to apply the requirements of the Ontario Building
5 Code across the province. The courses are proving
6 very effective, well received by municipalities,
7 and are enhancing the new housing stock being produced
8 in Ontario.

9 The Rent Review Advisory Committee
10 recommends that a major education program for tenant
11 and landlord groups be commenced. However, it
12 does not recognize the need for education of
13 municipal employees who are required to enforce the
14 standards in the prescribed manner. This association
15 must bring to the fore the activities of a committee
16 established jointly by the Ministry of Housing and
17 Ministry of Municipal Affairs called the Property
18 Standards Review Committee under the Chairmanship
19 of Mr. Jack Brown.

20 The purpose of this Committee was
21 to peruse the recommendations of the joint ministries
22 which were:

23 1(a): Property standards by-laws
24 be limited to matters pertaining
25 to maintenance of the outside of



buildings and property with respect to appearance, housekeeping of grounds, and items of a nuisance nature.

(b) Enabling legislation under the Planning Act be so amended to maintain the limitations.

(c) A municipal model by-law be prepared and encouraged for use in implementing this proposal.

2(a) A comprehensive code for all existing buildings be established to maintain a minimum performance level of safety of structure of existing buildings in Ontario.

(b) Enabling legislation be developed to maintain the primacy of that code over all other requirements for existing buildings with respect to "construction" or "occupancy".

The results of this Committees work are not yet available. However, the recommendations appear to be contrary to the intent of Bill 51. If, however, the Residential Rental Standards Board follow recommendations such as codifying the standards, then



1 there by definition exists an immediate conflict with
2 the intent of Bill 51.

3 Recognizing the intent of Bill 51,
4 the Ontario Association of Property Standards Officers
5 therefore recommends the following:

- 6 1. That property standards by-laws
7 be made mandatory upon a municipality
8 by legislation.
- 9 2. That the procedure of enforcing the
10 standards be as laid out in section
11 31 of the Planning Act.
- 12 3. That the standards produced by
13 the Residential Rental Standards
14 Board under section 14 be used as
15 a model by-law only which would be
16 modified upon enactment to meet local
17 needs of the municipal involved.

18 Where a municipality has already enacted a property
19 standards by-law, this by-law should be amended to
20 reflect the standards set out in the model by-law
21 prepared by the RRSB, subject of course to local
22 conditions.

23 THE CHAIRMAN: Did your association
24 find out about the Bill and the question of standards
25 through the grapevine or through a formal process?



1 MR. ALLICK: Through the grapevine,
2 sir.

3 THE CHAIRMAN: Is this the first --
4 well, Mr. Epp?

5 MR. EPP: I understand what you are
6 trying to achieve. I am not quite sure whether
7 you are consistent in your recommendations. I thought
8 you said in your first recommendation that you wanted
9 them to be consistent across the province. Then
10 your second recommendation or third was that you should
11 have a model by-law which could be adopted or not
12 adopted, and the model by-law would be just one that
13 people could adopt or not adopt and make amendments
14 to it if they wanted to.

15 I just wondered if I understood you
16 correctly, and please correct me if I am wrong, and
17 I did not understand where the consistency was.

18 MR. ALLICK: What we are really saying,
19 sir, is first of all that property standards by-laws
20 be made mandatory period.

21 MR. EPP: All right.

22 MR. ALLICK: Then we are saying that
23 the procedure of enforcing those by-laws are as laid
24 out in section 31 of the Planning Act which gives
25 an appeal process which is available to everyone



1 involved.

2 It is a very sensitive, knowledgeable --
3 it is knowledgeable to the local requirements in
4 that the person hearing these appeals are residents
5 of the municipality who are appointed by council,
6 therefore they are fully aware of the needs and the
7 standards of that particular municipality.

8 What we are saying with regards to the
9 standards is that rather than codify, and this
10 definition of a code is a standard, being a series
11 of laws. A standard is a measure. The two are not
12 compatible in our estimation.

13 The measure in which the model by-law
14 requires things to be done, and while we recognize
15 this model by-law may cover a whole gamit of things
16 required by this Board, then it can be tailored to
17 suit the requirements or the standards of a local
18 municipality.

19 What we are really saying is that we
20 would not like to see a standard which is totally
21 acceptable for the City of Toronto being applied
22 to the Township of Emory.

23 MR. EPP: So what you are saying is
24 you have a model by-law and you can pick and choose
25 those items which you wish. But if you pick something,



1 || you pick it in its entirety the way it is.

2 MR. ALLICK: Not really, sir. What
3 I am saying is that the association believes that the
4 requirement and this is where we get the difference
5 between a code which is a mandatory requirement, and
6 a standard which is a measure of compliance. And this
7 of course is one of the big differences between a
8 building inspector and a property standards officer.
9 A property standards officer in his daily duties
10 expends and determines what measure he is going to
11 use.

12 A building inspector, on the other
13 hand, does not have the freedom of expending that
14 measure. He is working under a series of laws which
15 is either black or white.

16 This is the point that I am trying
17 to get across to the Committee, with respect, being
18 the difference between the two entities at the
19 municipal level, a big difference that I believe is
20 not recognized, either by the municipality or by the
21 provincial government.

22 MR. EPP: But the bottom line is,
23 though, that you would like to see the mandatory
24 minimum standards adopted across the province?

25 MR. ALLICK: That is correct, sir.



1 MR. EPP: Thank you, sir.

2 THE CHAIRMAN: Mr. Shymko?

3 MR. SHYMKO: I guess there are various
4 processes or steps taken by a Ministry prior to the
5 introduction of a public Bill, but nevertheless,
6 do you feel that your association should have been
7 consulted at some stage in the drafting of this
8 Bill?

9 MR. ALLICK: We never believe we
10 should be done anything with. We would appreciate it
11 if we were considered or even thought of by the
12 provincial government, sir.

13 MR. SHYMKO: You have strong feelings
14 certainly that the municipality should be consulted
15 in the process prior to the regulations being set
16 out accompanying this Bill?

17 MR. ALLICK: Yes, sir, I do.

18 MR. SHYMKO: I am sure that the
19 input that you have had here is -- first of all,
20 I congratulate you. It certainly is an eye opener.
21 It seems to me, the earlier remarks that we should
22 not be trying to reinvent the wheel, so to speak,
23 when we have already in place section 3(2) of the
24 Ontario Building Code. We certainly have section
25 31, you have referred to it of the Ontario Planning



1 Act which should be integrated, and which address
2 many of these issues and avoid the duplication and
3 even conflict of standards that may arise from the
4 suggestions of the present form of this particular
5 Bill.

6 MR. ALLICK: Exactly, sir.

7 MR. SHYMKO: Thank you.

8 MR. MOORMAN: If I may say, plus
9 200 municipalities that already have such a standard
10 that covers 90 per cent of the property in this province.

11 MR. SHYMKO: Thank you.

12 THE CHAIRMAN: Mr. Reville?

13 MR. REVILLE: I wonder if you could
14 help us, then, by telling us how we might account
15 for the very strong demand of tenants for better
16 enforcement mechanisms so that maintenance is
17 appropriate in their building?

18 MR. ALLICK: No. 1, the strong demand
19 from the tenants is something which is increasing
20 over the years. It is increasing over the years
21 because, first of all, the tenants, the tenants
22 associations and the landlords are just now beginning
23 to realize there are property standards by-laws.

24 As indicated, we are increasingly being
25 called upon by both those parties to be witnesses and



1 invariably responding to subpoenas.

2 The reaction of a municipal council
3 to the application of a property standards by-law
4 is : very, very difficult for a municipal council
5 to enact. The reason for this is because the minute
6 that a municipality talks about enacting a property
7 standards by-law, there is an immediate cry from the
8 constituents of that municipality about an invasion
9 of privacy.

10 I and Mr. Moorman have attended
11 many public meetings where municipalities have
12 tried to enact by-laws. The most recent one is
13 the case in Delhi, and I am sure that you gentlemen
14 are aware of that, where there was an immediate
15 cry from the constituents that they are not going to
16 allow municipal inspectors into their bedrooms.

17 This is the difficulty that a
18 municipality has and this is why I am suggesting,
19 and this association is recommending, that these
20 by-laws be mandatory on a municipality exactly the
21 same as the Building Code Act. We feel as an associa-
22 tion that this would resolve that problem.

23 With regards to enforcement, the
24 enforcement is one of education of the officers
25 enforcing it. The second thing is the cost of



1 enforcement imposed upon a municipality. The number of
2 inspectors, by necessity, by pure financial
3 necessity upon a municipality, restrict the enforce-
4 ment of these by-laws.

5 MR. REVILLE: Further to that,
6 Mr. Chairman, it is sometimes said that in fact,
7 regardless of the strenuous efforts of property
8 standards inspectors, the evidentiary work that is
9 done, that in fact penalties for breach of property
10 standards are so -- they are but a fig actually,
11 sometimes a very small fine and in fact that
12 mechanism has not been particularly useful in improv-
13 ing standards.

14 MR. ALLICK: In response to that,
15 sir, then it is the education of the provincial
16 government to its municipal government. The powers
17 which are in existence in the Planning Act enable
18 a municipality, if they are unsuccessful in having
19 work completed as a final entity, of being able to
20 go in and do the work themselves. I am presently
21 employed by the City of Hamilton and we have on
22 occasion done this very thing.

23 We feel that in our enforcement
24 process, if we have to appear before a judiciary,
25 we have failed in our enforcement procedures. Our



1 last resort, when all else has failed, is to appear
2 before a judiciary.

3 MR. REVILLE: But in fact municipal
4 councils are very reluctant to perform the work
5 themselves.

6 MR. ALLICK: Municipal councils are
7 very reluctant in many things, sir.

8 MR. REVILLE: What should we do about
9 that?

10 MR. ALLICK: I would rather not
11 comment, sir.

12 MR. EPP: He values his job.

13 MR. REVILLE: A very statesman-like
14 attitude.

15 You know that the penalties in
16 section 15 of this Bill would come out of the landlord's
17 rent.

18 MR. ALLICK: Yes, but before you
19 take anything out of anybody's rent or pocket, or
20 anything else, you have to get a judge to award that
21 fine.

22 MR. REVILLE: Not in this case. I
23 do not think so.

24 MR. ALLICK: Up until now our experience
25 has been, sir, that with the Building Code Act we have



1 a maximum penalty of \$25,000.

2 MR. REVILLE: No, I agree. What is
3 being contemplated by Bill 51 is that if you do not --
4 if a landlord does not comply with an order of the
5 residential tenants board, then he cannot collect
6 his rent increase. So what the RRAC Committee
7 thought this might do is to provide some mighty
8 powerful incentives to comply with standards. If
9 I had enough units, it seems to me a \$25,000 fine
10 might be easily payable, but if I could not collect
11 my 5 per cent or something like that, that is a
12 pretty powerful negative ---

13 MR. ALLICK: With respect, sir, I
14 would have to see that operate.

15 MR. REVILLE: Pardon?

16 MR. ALLICK: With respect, I
17 would have to see that process operate.

18 MR. REVILLE: Well, we are all going
19 to have to see it operate. At the moment we do not
20 know really whether it will.

21 MR. ALLICK: Exactly.

22 MR. REVILLE: Thank you,
23 Mr. Chairman.

24 THE CHAIRMAN: Mr. Hennessy.

25 MR. HENNESSY: I am interested in



1 what you say, sir, but I just have a little bit of
2 a problem. What authority or what power have you got
3 to enforce -- let us say somebody is breaking the
4 law and you go out there as a law enforcement officer
5 and lay a charge. I know, I used to be a member of
6 council and we have a by-law enforcement officer,
7 we call him the "sheriff" and he goes around laying
8 charges. Sometimes they do not stick. Some people
9 do not pay much attention to him.

10 Members of municipal councils are
11 often close to one another and sometimes it is
12 difficult to enforce.

13 Is this law made up for people who
14 are renting because if they have a problem -- and
15 I am in an apartment myself and I wrote them a
16 letter and spoke to them and they said yes, as soon
17 as we make the investigation the floors will be
18 dug and then the walls painted. No investigation
19 yet, but I am still a young man and I have a few
20 years to go, so perhaps it may come by.

21 Nevertheless, it is just sort of a
22 stall. They have to go to the owners and they do not
23 do the work. Can I call an enforcement officer as
24 you mentioned?

25 MR. ALLICK: Yes, you could call a



1 property standards officer, and providing the things
2 that you are complaining about are in contravention
3 of your municipality's property standards by-law,
4 then that property standards by-law could -- then
5 that property standards officer could enforce his
6 by-law to the point of several options. Either he
7 could take the owners of that building to court which
8 is a punitive measure whereby the owner of that
9 apartment may be fined. Or he may recommend to
10 council the work that you are complaining about
11 be done and the costs of that work be added to the
12 tax roll of that particular piece of property. Or
13 he may decide to do both.

14 So there are many avenues for that
15 property standards officer to operate along, but
16 I must say that the majority of property standards
17 officers are basically mediators and negotiators
18 and the property standards officer, I believe, in
19 the situation that you are describing would first
20 meet with the owner of that property and ask what
21 is the hold-up. What are you doing about it? He
22 would literally operate as a mediator.

23 MR. HENNESSY: Just a final question.
24 Do you feel that something that you are suggesting
25 now should be in Bill 51?



1 MR. ALLICK: Yes.

2 MR. HENNESSY: Thank you.

3 MR. MOORMAN: By reference to section
4 31 of the Planning Act?

5 MR. HENNESSY: I am just thinking
6 to myself, perhaps now if we can help the landlord
7 and we have someone to mediate for bad tenants, you
8 would have everything solved.

9 MR. ALLICK: We often do this. This
10 property standards officer position is not a one-way
11 street. Certainly we are in a situation, if we
12 receive what we consider to be a frivolous or un-
13 founded complaint, we have no difficulty telling the
14 complainant that we think he is out to lunch. We
15 do not think he has anything to complain about at all.
16 Thus my comments about being called as witnesses both
17 for landlords and tenant groups.

18 We are in the middle, sir. We do
19 not take sides as property standards officers.

20 MR. HENNESSY: Thank you very much.

21 THE CHAIRMAN: Thank you, Mr. Allick
22 and Mr. Moorman. I must say that your diplomatic
23 skills are a good model for the politicians on the
24 Committee, and I know as well the Ministry of Housing
25 staff were taking notes furiously in that regard.



1 Thank you very much for your
2 appearance before the Committee?

3 MR. ALLICK: Thank you, sir.

4 THE CHAIRMAN: The next presentation
5 is Mr. Hugh Smith. Mr. Smith, welcome to the
6 Committee.

7 MR. SMITH: Thank you. I appreciate
8 being able to speak to the Committee tonight.

9 I am a former hotel manager and
10 restaurateur currently doing consulting work in the
11 food service industry and running a small ice cream
12 business with my wife. I might also add that I am
13 a handyman, Joe fix-it and that is I guess how we
14 started in property.

15 My wife and I first got into the
16 rental housing business when we bought a small frame
17 house four years ago in an attempt to get some
18 long-term security to our insecure self-employment.
19 I guess that makes me the "Pa" in Mr. Storrington's
20 "Ma and Pa" operation.

21 Our goal was to buy some property,
22 rent it out, and I could do the fixing up, general
23 maintenance and so on to keep our costs down. And
24 by the time we were 50 or 60, the mortgages would
25 be paid and we would have some security for our



1 retirement.

2 We had heard that there was a rental
3 shortage in Kingston and I think we generally felt
4 we could be something to help that situation. We are
5 not big landlords. We currently own nine properties,
6 most of them single family homes, some of them
7 duplexes. We don't own high rises but we are a couple
8 who enjoy renting out a few single family homes that
9 we own. We enjoy meeting the tenants, have a
10 very good relationship with every one of them without
11 exception. We still sign leases on the kitchen
12 table over a cup of coffee with the tenants and have
13 on unregulated units in the past agreed to put in
14 a new bathroom and do certain things for a mutually-
15 agreed upon rent and future rent increases.

16 But I now ask myself why should we
17 stay in this business? With yet another Bill to
18 regulate what are we going to do? Even though we
19 are small, I guess we try to keep in touch with
20 current legislation, but I have still not completely
21 digested the recent -- or the Landlord and Tenants
22 Act.

23 I tried reading Bill 11 the other
24 day after I found out only two weeks ago that it
25 existed, but I couldn't get further than "Unless the



1 Council of the Municipality approves."

2 Why oh why do we have to regulate
3 everything that we do? Last week the stock market
4 had quite a drastic adjustment. The government
5 didn't step in. It was a correction in the market.
6 From what I gather prior to 1976, I quite honestly
7 wasn't interested in the rental market at that point,
8 but I understand the rental market was going through
9 an adjustment period resulting in low vacancies.
10 The government stepped in and the market has not
11 been allowed to adjust since because every time the
12 situation gets bad, the government tries to help
13 but makes the situation worse.

14 This point was discussed earlier
15 about the free market. In fact, Robert Storrington
16 just stated it earlier. The whole point of the
17 free market and the question of a thousand dollar
18 rent going to \$2,000 a month, that will only happen
19 in an interim period. That is why in any elimination
20 of rent controls it must be phased in. Once that
21 period is over there will be a sufficient supply of
22 accommodation so that a \$2,000 demand of rent will
23 be forced down because that unit sits vacant.

24 Earlier this afternoon Mr. Smith
25 mentioned that that situation is happening now in



1 Kingston and it is happening in the market very close
2 to where we own our properties, where in fact there
3 are now several, if you drive around the downtown
4 area, several homes with for rent signs on them
5 trying to rent to students. Once the 15th of the
6 month, which was two days ago, goes by, those won't
7 be rented now for another year.

8 So what does that do? Bring down the
9 price.

10 The solution, I believe, is to change
11 Bill 51 so that it becomes the start of the removal
12 of the rent controls. I agree that Bill 51 appears
13 to be simpler than previous legislation, but it has
14 a long, long way to be really simple.

15 Let me address a few points that I
16 disagreed with in Bill 51, or that I see problems with.
17 When we first got into the business, rents over
18 \$750 were exempt from rent controls. In my calculations
19 for the future I knew that eventually that point of
20 \$750 a month would be reached. You have now pulled
21 that rug out from under me. In the restaurant bus-
22 iness, and I understand that you were eating at
23 Aunt Lucy's and maybe you ordered chicken off the
24 menu at \$10. Halfway through the meal I come up
25 and the menu price said \$10 and I say I am sorry, that



1 has now gone up to \$12.

2 Wouldn't you say that is unfair
3 business practice? But in reverse, isn't that what
4 you have done to me? The government all along is
5 misleading by changing things.

6 That bathroom deal that I was talking
7 about, which I used as an example, that kind of thing
8 made on unregulated units, it is now a regulated
9 unit and I will not be able to recover my costs as
10 originally planned. Therefore, the porch renovation
11 that was slated for two years down the road will be
12 four years and I will have the gentleman behind us
13 saying, "My porch is falling down, do something about
14 it."

15 The whole of Bill 51 seems to have
16 the air that it will cure the shortage of rental
17 accommodation. Studies have shown and I know first-
18 hand from England, what rent controls can do. It
19 won't work. Only returning to market conditions
20 will do it.

21 If I get so fed up that I sell the
22 properties, they will revert to owner-occupied single
23 family homes because of the kind of accommodation
24 they are. They are worth more as that than rental
25 accommodation. Who will replace those units?



1 Now, I have only nine units but
2 maybe there is a hundred of us out there with nine
3 units. Isn't that significant?

4 Nobody is going to, with Bill 51
5 and the next legislation and everything else, nobody
6 is going to start getting back into the business
7 again and there is only one person who is going to
8 be able to build accommodation and that is the
9 government. The cost of government building
10 accommodation is going to be astronomical. The cost
11 of rent subsidies or shelter allowances, whatever
12 you call them, will be peanuts compared to the
13 cost of building accommodation.

14 I have small units that are not
15 immediately affected by the rent registry, but that
16 I guess is only a matter of time. One comment I have
17 on that is that it seemed to want landlords to
18 produce records immediately and they have to be
19 accurate records and the time there to me, from
20 what I can see, seems unreasonable. Yet when the
21 government must respond with notices to the landlords
22 and tenants, the Act states "As soon as is practical."
23 Is that fair?

24 Also, making me, as I will be
25 eventually, responsible for illegal rent prior to



1 my purchase I find incredible. How can I be
2 responsible for someone else's actions? Ten years
3 from now the property may have changed hands ten
4 times. This is just impractical.

5 As to the Residential Rental Standards
6 Board why do we need yet another regulatory body? I
7 think the gentleman prior to me addressed that
8 probably far better than I possibly could. However,
9 the Board is, according to the Act, or it may not
10 allow me to increase my rent until I do some improve-
11 ments.

12 Again I come back to this cart and
13 horse situation of how can I pay for these improve-
14 ments if I don't have the increased rent? Forcing
15 me to pay for something before I can see any way
16 of getting it back again.

17 I also have a little bit of a problem
18 with the residential complex cost index dealing with
19 a three-year average. That is fine the way inflation
20 has been running recently, but none of us believed
21 that interest rates were going to hit 19 per cent when
22 they did. What happens when inflation accelerates
23 and costs and interest rates increase fast? I know,
24 we have to wait. We have to pay but we have to wait
25 to get our increase in the future. But how do I know



1 that you are not going to come back to me with
2 more legislation later and say refund money because
3 inflation has gone down? You can't do it both ways.
4 Either we even out the highs and lows of inflation
5 but not just the highs or we fail to react immediately
6 to the ups and downs.

7 I have become a member of the Fair
8 Rental Policy Organization in Kingston because I feel
9 it is only through their efforts that I knew this
10 Bill existed. I guess I have agreed to swallow the
11 Bill as it is moving in a positive direction. All the
12 things I think that have been mentioned, rent,
13 maximum legal rent, return on equity, is better than
14 nothing.

15 The fact that these things are
16 mentioned and I believe those are all positive
17 steps, but the Bill must be sweeter. It must show
18 me as a small landlord that home building and buying
19 apartment buildings, that you as a government intend
20 to cure the sickness rather than to keep feeding us
21 these bills and move back to market, free market
22 conditions.

23 Those are the only things that will
24 prevail if given the elimination of rent controls
25 which eventually must happen. That or I will just



1 have to get out of the rental business and put my
2 money in mutual funds, back in the restaurant business
3 or something that you do not regulate.

4 I thought I had a solution three
5 weeks ago when I heard about Bill 51, before I heard
6 about Bill 11. Okay, I have got the solution here.
7 I will torch all the units, collect the money and
8 run away with it. But then I found out two weeks
9 ago that clause 4 of Bill 11 says I can't do that,
10 I can't demolish a building.

11 Thank you.

12 THE CHAIRMAN: Thank you, Mr. Smith.
13 I think your reading of the law is correct.

14 MR. REVILLE: It is not Bill 11
15 though, it is the Criminal Code of Canada.

16 THE CHAIRMAN: Are there any
17 questions by members of the Committee? Mr. Smith, I
18 think your presentation was very clear, the message
19 is obviously straightforward, and we understand
20 what you are saying. We thank you very much for
21 appearing before the Committee.

22 MR. SMITH: Thank you.

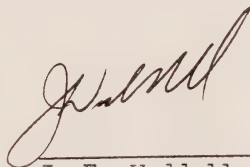
23 THE CHAIRMAN: That concludes the
24 evening's agenda and we thank very much those who
25 have made presentations and those who have sat in



1 and listened to them. We stand adjourned until
2 tomorrow afternoon at 1:00 o'clock in Ottawa.
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5 ---Adjournment
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14 J. F. Waddell, C.S.R.
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